Argumentarium

Draft Law of Ukraine
«On energy efficiency»
(for discussion)
Introduction

We pursue Ukraine that is an energy self-sufficient state, with a modern and competitive economy, and above all, a state that respects its citizens. Energy efficiency policy provides instruments to increase the comfort of living and air quality, reduce energy bills, eliminate dependence on imported energy resources, attract investment in infrastructure and innovation.

Ukraine has committed itself to improve the energy efficiency of the economy with the entry to the Energy Community and signing the Agreement on Association with the EU in 2014. At the initial stage towards fulfilling the commitments, it is essential to prepare and adopt necessary legislation fostering incentives and tools for energy efficiency measures.

Ukraine has already made significant progress in certain spheres, in particular the following laws were adopted: Laws of Ukraine "On electricity market" and "On natural gas market", which introduce legal preconditions for launching competitive energy markets; the Law of Ukraine "On Energy Efficiency Fund", which provides a mechanism for funding energy-efficient measures in the building sector; the Law of Ukraine "On energy efficiency of buildings", which aims to reduce energy consumption in buildings; the Law of Ukraine "On commercial metering for heating and water supply", which aims at full commercial metering. However, the country still lacks a fundamental law - the Law "On energy efficiency". This law should implement the principles of rational use of resources during all energy chain: from generation to end-use.

This Argumentarium contains the text of the draft law "On energy efficiency", developed based on Directive 27/2012/EU by the Ministry of Regional Development and the Reform Support Team of the Ministry, with the explanation for the text of each article.

While developing this Argumentarium the report "Energy Efficiency System in Ukraine" and the report "Argumentarium on the implementation of the Directive 2012/27/EU", prepared for the order of GIZ, were consulted.

Vice Prime Minister of Ukraine – Minister of Regional Development, Construction and Housing and Utilities Services

Gennadiy Zubko
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Comprehensive approach for energy efficiency regulation

By signing the Agreement on Association with the EU and by joining the Energy Community, Ukraine has taken an obligation to transpose the EU energy efficiency requirements to Ukrainian legislation. The *acquis communautaire* on energy efficiency improvement include Directive 2012/27/EU of the European Parliament and of the Council as of 25/10/2012 on energy efficiency, Directive 2010/31/EU of the European Parliament and of the Council 2010/31/EU as of 19/05/2010 on energy efficiency of buildings and the Third Energy Package.

Requirements of these Directives are partly implemented in Ukrainian legislation (in particular, by Laws of Ukraine "On energy efficiency of buildings", "On commercial metering of heating and water supply services" and others), however, the adoption of the draft law "On energy efficiency", which transposes requirements of the Directive 2012/27/EU should be the key element for energy efficiency reform.

**Comprehensive approach for energy efficiency and energy markets regulation in EU**

Draft law sets comprehensive regulation to increase efficiency of energy use in various spheres of the economy:

- industry;
- residential buildings;
- budgetary buildings;
- energy supply.

Draft law is closely linked to the regulation of electricity, natural gas and heating markets.
Key articles of the draft law “On energy efficiency”

- **Art. 3.** Establishment of the national energy savings target - 20% reduction in energy consumption compared to the 2007 EU baseline scenario and 9% reduction for Ukraine compared to the 2005-2009.
- **Art. 6.** Achievement of energy savings equivalent to renovation of 1% of state institution buildings
- **Art. 9.** Reduction of final energy consumption by 0.7% annually
  
  - **Art. 5** to **Art. 6.** Renovation of residential and budgetary buildings
  - **Art. 12** to **Art. 13.** Promotion of energy efficiency in production and transportation of energy
  - **Art. 14** to **Art. 16.** Creation of mechanisms for energy efficiency support – ESCO, EE Fund
  - **Art. 8.** Setting the minimal requirements for energy efficiency of the products
  - **Art. 10.** Implementing energy audit and energy management in the industry

- **Art. 11.** 100% commercial metering and transparent relations
- **Art. 15.** Informational campaign and education for population, authorities and enterprises

*Source: experts analysis*
Article 1. Definition of terms

In this Law, the terms below shall be used in the following meanings:

1) eco-design requirement – a requirement in relation to an energy-related product or the design of such a product, intended to improve its ecological characteristics, or for the supply of information on the ecological aspects of this product;

2) voluntary agreements – agreements between economic entities and state authorities, local self-government bodies that lead to the application of energy-efficient technology and have the effect of reducing end-use energy consumption;

3) eco-design – integration of ecological aspects into the process of designing an energy-related product with the aim of improving the ecological characteristics of the product throughout its life cycle;

4) energy savings – an amount of reduced energy consumption, determined by comparing the volume of consumption measured and/or estimated before and after the implementation of energy-efficient measures, whilst ensuring normalisation for external conditions that affect energy consumption;

5) energy efficiency – the ratio between the output of goods (performance (operation), products, services and energy) to the amount of input energy used to produce such goods;

6) energy audit – the procedure of collection and analysis of information on the energy consumption pattern (profile) of a building or groups of buildings, the production of goods (services, works), equipment, which results in the identification and calculation of cost-effective recommendations on reduction of energy consumption or preventing increased energy costs;

7) energy – all forms of fuels and energy used in the national economy, including natural gas, coal, oil, oil products, liquefied gas, renewable energy, heat, electricity;

8) energy auditor – a natural person, whose qualification gives the right to carry out an energy audit;

9) energy labelling – informing a consumer about the level of energy efficiency of an energy-related product, and providing supplementary information by the producer through using an energy label;

10) energy efficiency improvement measures – activities, that result in reducing energy input per unit of goods (performance (operation), products, services and energy);

11) energy supplier – a legal person that supplies energy to the consumer under the law and according to the contract (including the suppliers of electricity, natural gas, heat);

12) efficient district heating system – a district heating system using at least 50% of renewable energy, or 50% of waste heat, or 75% of cogenerated heat, or 50% of a combination of renewable energy and waste heat;

13) intelligent metering system – a set of metering devices as an integrated system that measure the amount of energy and volume of consumption, and provide a two-way exchange of information through electronic means of data transmission;

14) final energy consumption – the amount of energy supplied to consumers in spheres of industry, transport, housing, services and agriculture, with the exception of the energy supplied for the conversion or transformation processes and the energy consumed by the energy sector;

15) primary energy consumption – gross (total) amount of inland energy consumption excluding energy used to meet non-energy needs;

16) primary energy resource – energy resource concentrated in natural resources that was not subjected to any artificial changes or transformation;

17) energy-related product – any good that has an impact on energy consumption during use which is placed on the market and/or put into service, and includes parts intended to be incorporated into energy-related products which are placed on the market and/or put into service as individual parts for end-users and of which the environmental performance can be assessed independently;

18) smart grids – electricity networks that can integrate in a cost-efficient manner the participants of the electricity market, which enable to manage energy supply and consumption in order to increase the reliability of power supply and safety of the power system;
19) energy management system – set of interrelated elements that form a system of energy consumption management that includes organizational structure, management functions, duties and responsibilities, strategies, procedures, processes, resources for the formation, implementation and achievement of energy efficiency objectives;

20) waste heat – thermal energy produced as a by-product of main economic activity or amount of heat generated in the process of production of heat that is excessive for own needs and can be used for district heating;

21) consumer – a natural or legal person who uses energy for own consumption;

22) conventional fuel – a unit of fuel accounting, which is used to reflect the ratio and comparison of the efficiency of use of different types of natural fuel, and for the total accounting for use of different types of fuel.

Article 2. Subject matter and scope of the Law

1. This law regulates the relations in the field of energy efficiency and aims at strengthening energy security, competitive and sustainable economic development, preservation of primary energy resources and reduction of greenhouse gas emissions.

2. The scope of energy efficiency covers energy efficiency measures implemented in the production, transportation, transmission, distribution, supply and consumption of energy.

Key articles of the draft law “On energy efficiency”

- Art. 3. Establishment of the national energy savings target - 20% reduction in energy consumption compared to the 2007 EU baseline scenario and 9% reduction for Ukraine compared to the 2005-2009.
- Art. 6. Achievement of energy savings equivalent to renovation of 1% of state institution buildings
- Art. 9. Reduction of final energy consumption by 0,7% annually
  - Art. 5 та 6. Renovation of residential and budgetary buildings
  - Art. 12 та 13. Promotion of energy efficiency in production and transportation of energy
  - Art. 14 та 16. Creation of mechanisms for energy efficiency support – ESCO, EE Fund
  - Art. 8. Setting the minimal requirements for energy efficiency of the products
  - Art. 10. Implementing energy audit and energy management in the industry
  - Art. 11. 100% commercial metering and transparent relations
  - Art. 15. Informational campaign and education for population, authorities and enterprises

Source: experts analysis
Article 3. National Energy Efficiency Policy

1. The main objectives and activities of the national energy efficiency policy are:

1) removing the regulatory and non-regulatory barriers during the implementation of energy efficiency measures and energy efficiency projects;

2) strengthening the cooperation between consumers, producers, energy suppliers, energy services providers, central and local governments with a view to achieve the objectives and targets in the field of energy efficiency;

3) promotion and use of highly efficient technology, energy management systems, energy consumption monitoring systems;

4) promotion of the use of energy from renewable energy sources by energy consumers;

5) legislative implementation of financial and tax stimulation mechanisms for implementing energy efficiency measures;

6) promotion of energy services market development;

7) development of efficient district heating systems and high-efficiency cogeneration, promotion of access to the grid system for electricity produced from high-efficiency cogeneration.

Scheme of draft law «On energy efficiency»

Source: data of Minregion
Article 4. National Energy Efficiency Target

1. National policy in the field of energy efficiency is aimed to ensure the achievement of the National Energy Efficiency Target approved by the Cabinet of Ministers of Ukraine.

2. The National Energy Efficiency Target shall be calculated in absolute values of primary energy consumption and final energy consumption by the central executive body, which ensures the implementation of the national policy in the field of energy efficiency. When calculating the National Energy Efficiency Target, the requirements of the legislation of the European Union, the Energy Community, the objectives of final energy consumption for the member states of the Energy Community, the provisions of this Law, and other measures of promotion energy efficiency are taken into account.

3. The central executive authority, which ensures the implementation of the national policy in the field of energy efficiency, shall inform the Energy Community Secretariat about the approval of the National Energy Efficiency Target and provide information on the methods and data based on which it was calculated.

Commentary:

Ukraine has already reached the energy saving target for 2020 of 6.5 million toe (9%) in 2013. This is primarily due to the serious economic crisis in the country. Since then, both the country’s economy (GDP) and energy consumption continued to decline.

Ukraine should develop a new national energy efficiency target and the National Energy Efficiency Action Plan, based on updated baseline forecasts, and the new target should consider the current dynamics of energy consumption in the country.

<table>
<thead>
<tr>
<th>Final energy consumption* and current energy savings target 2020, mn toe</th>
<th>Primary energy consumption* and recommended** energy savings target 2020, mn toe</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>74.2</td>
</tr>
<tr>
<td>2006</td>
<td>74.3</td>
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<tr>
<td>2007</td>
<td>74.0</td>
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<tr>
<td>2008</td>
<td>75.9</td>
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<tr>
<td>2009</td>
<td>68.1</td>
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<tr>
<td>2010</td>
<td>68.5</td>
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<tr>
<td>2011</td>
<td>68.8</td>
</tr>
<tr>
<td>2012</td>
<td>67.0</td>
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<tr>
<td>2013</td>
<td>66.6</td>
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<tr>
<td>2014</td>
<td>56.0</td>
</tr>
<tr>
<td>2015</td>
<td>49.7</td>
</tr>
<tr>
<td>2016</td>
<td>48.7</td>
</tr>
<tr>
<td>-9% to baseline (6.5 mn toe)</td>
<td>-23% to baseline (50 mn toe)</td>
</tr>
<tr>
<td>Baseline – average consumption 2005-2009</td>
<td>Recommended target 2020</td>
</tr>
<tr>
<td>2005</td>
<td>74.2</td>
</tr>
<tr>
<td>2006</td>
<td>74.3</td>
</tr>
<tr>
<td>2007</td>
<td>74.0</td>
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<td>2008</td>
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<td>2014</td>
<td>56.0</td>
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<tr>
<td>2015</td>
<td>49.7</td>
</tr>
<tr>
<td>2016</td>
<td>48.7</td>
</tr>
</tbody>
</table>

*excluding non-energy use

**recommended target is based on modelling, provided by SAEE

***data for 2014-2016 excluding Crimea and ATO territory

Source: data of Ukrstat, SAEE, experts analysis

1. For the purpose of achieving the National Energy Efficiency Target, the National Energy Efficiency Action Plan (hereinafter – the National Plan) is developed by the central executive body that ensures implementation of the national energy efficiency policy, and approved by the Cabinet of Ministers of Ukraine.

The Cabinet of Ministers of Ukraine updates the National Plan every three years.

2. The National Plan contains:
   1) the list of energy efficiency improvement measures, in particular in the transmission, distribution of energy and energy end-use and the timeframe of their implementation;
   2) sources of finance for energy efficiency improvement measures;
   3) the estimated amount of energy savings upon implementation of energy efficiency improvement measures;
   4) other information in accordance with the requirements of the legislation of the European Union, the Energy Community.

3. The methodology for determining the estimated energy savings in implementing energy efficiency improvement measures is approved by the central executive body responsible for the energy efficiency policy designing.

4. The central executive body that ensures implementation of the national energy efficiency policy systematically monitors the implementation of the National Plan and submits summarized information on its implementation to the Cabinet of Ministers of Ukraine every year by the 10th day of the second month following the reporting period.

The procedure for collection of primary information, monitoring and evaluating the implementation of the National Plan is determined by the Cabinet of Ministers of Ukraine.

5. Public authorities and local governments, natural persons and legal entities responsible for implementing energy efficiency improvement measures are required to provide information on the results of implementing energy efficiency measures to the central executive body that ensures implementation of the national energy efficiency policy in order to monitor and evaluate implementation of the National Plan.

6. The central executive body that ensures implementation of the national energy efficiency policy submits the National Plan once in three years until April 30 to the Energy Community Secretariat.

7. Local governments can develop and approve sustainable energy and climate action plans containing measures to be implemented by local governments to achieve the goals of energy efficiency, energy development and adaptation to climate changes including reduction of carbon dioxide emissions taking into account the objectives of the European Union in these areas.

Commentary:

The National Plan is adopted to achieve the national energy efficiency target. In particular, the National Plan should provide a specific list of activities to be carried out and sources of funding for these activities. Annual review of its implementation will be carried out by SAEE, and the results, among other, will be sent to the Energy Community Secretariat for monitoring compliance by Ukraine.
National energy efficiency targets

Source: data of Minregion
Article 6. Strategy to ensure energy performance of buildings

1. The Strategy for thermal modernisation of buildings is developed by the central executive body that ensures formulation of the national energy efficiency policy and approved by the Cabinet of Ministers of Ukraine.

The Cabinet of Ministers of Ukraine updates the Strategy for thermal modernisation of buildings every three years.

2. The Strategy for thermal modernisation of buildings shall apply to residential and non-residential buildings of all forms of ownership and contain:

1) an overview of the buildings stock in the country, which may be based on relevant statistical sampling;
2) identification of cost-effective approaches to the implementation of energy efficient improvement measures relevant to the building type and climatic zone;
3) measures to stimulate cost-effective thermal modernization of buildings;
4) long-term building renovation goals aimed at to guide investment in the field of energy efficiency of;
5) calculation of the estimated energy savings and other results of implementation of energy efficiency improvement measures.

3. The central executive body that ensures implementation of the national energy efficiency policy after the revision by the Cabinet of Ministers of Ukraine submits the Strategy for thermal modernisation of buildings to the Energy Community Secretariat every three years by April 30 of the relevant year.

Commentary:

70% of buildings in Ukraine were built between 1946 to 1990 and have low energy efficiency performance. The energy consumption by buildings amounts up to 53% of the total energy consumption in Ukraine. Implementation of the Directive provisions will reduce energy consumption in Ukraine by at least 10 million toe per year (or EUR 4.5 bn).

Based on the EU experience, it is evident that development of a national strategy, which regulates and coordinates the activities of key stakeholders, is necessary to increase the energy efficiency of buildings nationwide.
Construction milestones of residential buildings in Ukraine (as of 01/2015)

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before 1919</td>
<td>4.8%</td>
</tr>
<tr>
<td>1919-45</td>
<td>11.5%</td>
</tr>
<tr>
<td>1946-60</td>
<td>23.5%</td>
</tr>
<tr>
<td>1961-70</td>
<td>21.6%</td>
</tr>
<tr>
<td>1971-80</td>
<td>14.4%</td>
</tr>
<tr>
<td>1981-90</td>
<td>9.2%</td>
</tr>
<tr>
<td>1991-00</td>
<td>4.2%</td>
</tr>
<tr>
<td>2001-14</td>
<td>10.8%</td>
</tr>
</tbody>
</table>

Investment need for renovation of residential buildings

- **Multistory buildings**
  - Investment needs: 17 bn $
  - Potential of gas consumption reduction: 2.3 bn m³

- **Individual buildings**
  - Investment needs: 28 bn $
  - Potential of gas consumption reduction: 4.7 bn m³

- **Public buildings**
  - Investment needs: 2 bn $
  - Potential of gas consumption reduction: 0.3 bn m³

Source: data of Ukrstat

Source: data of Minregion
Article 7. Exemplary role of public bodies` buildings

1. The Cabinet of Ministers of Ukraine shall set an energy savings target for buildings of central executive bodies (hereinafter – the “energy savings target for buildings”).

The energy savings target for buildings shall be calculated in absolute values of primary energy consumption and final energy consumption by the central executive body that ensures formulation of the national energy efficiency policy.

The method of calculation of the savings target for buildings of central executive bodies shall be developed and approved by the central executive body that ensures formulation of the national energy efficiency policy, taking into account the requirements of the legislation of the European Union and the Energy Community.

2. Buildings subject to the requirement to achieve energy savings target for buildings shall meet the following features:
   1) be owned, possessed or used by central executive bodies;
   2) occupied by the apparatus of central executive bodies or their territorial branches;
   3) the heated area is more than 250 square meters;
   4) the level of energy efficiency of the building as of the date of entry into force of this Law does not meet the minimum energy efficiency requirements for buildings, set in accordance with the Law of Ukraine “On the Energy Efficiency of Buildings”.

3. The requirement on achievement of the energy savings target for buildings shall not apply to buildings:
   1) attributed to cultural heritage sites;
   2) ensuring the activities of the Armed Forces of Ukraine or other state bodies, forming and implementing the state policy on national security and defense.

4. The central executive body that ensures formulation of the national energy efficiency policy shall form and publish a database of buildings, which are occupied by the central government authorities and owned by the state authorities (hereinafter – the “database of buildings”). Access to the database of buildings shall be free of charge and shall be ensured via official website of the central executive body that ensures formulation of the national energy efficiency policy.

The database of buildings does not include buildings specified in the paragraph three of this Article.

The procedure for creation, maintaining of the database of buildings, its publication and exchange of information with the database of energy certificates shall be approved by the Cabinet of Ministers of Ukraine.

5. Executive bodies shall provide information necessary to form the database of buildings to the central executive body that ensures formulation of the national energy efficiency policy.

6. The central executive body that ensures formulation of the national energy efficiency policy shall annually, before 30 May, develop a plan to increase the level of energy efficiency in buildings of central executive bodies for the following calendar year, indicating the sources of funding for such measures.

The plan to increase energy efficiency in buildings of central executive bodies shall be approved by the Cabinet of Ministers of Ukraine.

7. In order to fulfill obligations on achievement the energy savings target for buildings the following measures shall be implemented:
   1) introduction of energy management system;
   2) conclusion of energy service contracts;
3) carrying out thermal modernization of buildings;
4) other energy efficient measures.

8. The sources of financing energy efficient measures aimed at achieving the energy savings target may be:
   1) funds allocated according to the Law “On the State Budget of Ukraine” for the respective year;
   2) funds raised on a free-of-charge and irrevocable basis;
   3) other sources that are not prohibited according to the legislation of Ukraine.

9. The central executive body that ensures formulation of the national energy efficiency policy shall monitor the achievement of the energy savings target and annually submit, before 10 (tenth) day of the second month following the reporting period, the consolidated information on the achieved results to the Cabinet of Ministers of Ukraine.

The monitoring of progress of achievement of energy savings target for buildings of executive bodies shall be carried out in the order approved by the Cabinet of Ministers of Ukraine.

10. The central executive body that ensures formulation of the national energy efficiency policy shall inform the Secretariat of the Energy Community on achievement of energy savings target, considering requirements of legislative acts of the European Union and the Energy Community every three years by April 30 of the relevant year.

Commentary:

Ukraine spent UAH 6.2 billion on utility bills for energy consumed by budgetary institutions in 2016. Renovation of these buildings will allow to reduce energy consumption of these buildings by at least 50%. This assumption is based on the results of the energy audits carried out on selected budgetary buildings.

Currently, there is no single official register of the buildings, owned and occupied by the state authorities in Ukraine. This reduces the government’s ability to implement energy efficiency measures in budgetary buildings and to develop mechanisms for its financing.

How the model of state budget buildings renovation will “work”

1. Central authorities bodies provide the information on buildings to SAEE
2. SAEE creates a database of public buildings
3. Minregion develops a Strategy to ensure energy efficiency of buildings
4. CMU sets an energy saving target for public buildings
5. SAEE annually develops a Plan to increase the energy efficiency in the public buildings (Plan)
6. CMU adopts the Plan and informs central authority bodies
7. SAEE review the implementation of the Plan

Source: data of Minregion
Article 8. Public procurement of goods and services related to energy consumption, and purchase or lease (rent) of buildings

1. When energy-consuming products or services requiring the use of energy-consuming products are purchased by the public bodies, the class of energy efficiency of such products shall meet the maximum class of energy efficiency set by regulatory acts in the area of energy labeling or indicative rates determined by regulatory acts in the area of eco-design.

2. In case of purchasing or leasing (renting) of buildings by state authorities, local government bodies, legal entities, that serve the needs of the state or a territorial community, the subject of such contracts shall be buildings that meet the minimum requirements for the energy efficiency of buildings.

3. The requirements of the first and second parts of this article shall not apply to cases of:
   1) purchase of goods and services, the cost of which is less than the cost of subject of procurement defined in the paragraph two of the part one of Article 2 of the Law of Ukraine “On Public Procurement”;
   2) purchase and lease (rent) of buildings for the purpose of their reconstruction or demolition;
   3) purchase of buildings for the purpose of their further sale without using for own needs;
   4) purchase and lease (rent) of buildings which are objects of cultural heritage;
   5) procurement of goods and services for secured serving of defense needs.

3. The requirements of the first and second paragraphs of this Article shall not apply to cases to purchase of the relevant goods and services, purchase and lease (rent) of buildings when it is economically and technically not feasible, or the restriction of competition may occur due to such procurement.

Confirmation of economic and technical feasibility of application of the prohibition stipulated by paragraphs one and two of the present Article, its impact on competition in the purchase of relevant goods and services, purchase and lease (rent) of buildings, shall be carried out in accordance with the procedure and according to the methodical recommendations approved by the central executive body that ensures formulation of the national energy efficiency policy and the Anti-Monopoly Committee of Ukraine.

3. The central executive body that ensures implementation of the national energy efficiency policy, jointly with the central executive body that ensures the formation and implementation of public policy in the area of public procurement, shall ensure:

- development of methodical recommendations for procurement of energy-related products or services requiring the use of energy-related products;
- development of sample specifications for procurement of energy-related products or services requiring the use of energy-related products.

4. State authorities, local government bodies, legal entities, that serve the needs of the state or a territorial community, are obliged to assess the possibility of concluding long-term energy supply contracts in case there are different price offers when purchasing services of supply of electricity, heat energy, hot water and gas.

The assessment of the possibility of concluding long-term energy supply contracts shall be conducted according to the methodology approved by the central executive body that ensures formulation of the national energy efficiency policy.
**Commentary**

Public procurement budget of Ukraine is estimated at UAH ~250 billion per year. The requirements of the Law of Ukraine "On public procurement" are applicable to contracts valued more than UAH 200,000 for goods and services; and more than UAH 1.5 million for works. Procurement price is the main criterion for choosing a supplier (weighted at least at the level of 70%). The drawback of the current system is the lack of a common methodology for assessing the cost of the product life cycle.

The introduction of energy efficiency requirements in public procurement will significantly reduce the use of inefficient equipment and energy end-use by the public sector.

**Requirements to public procurements regarding energy efficiency**

- Central authority bodies, local authorities and legal entities that provide the needs of the state or a community
- Will be able to buy or lease only buildings that comply with energy efficiency requirements
- Will be able to buy only goods and services that comply with energy efficiency requirements

**Best practices for public procurement**

- Life-cycle costing
- Use of energy efficiency criteria in tendering process
- Measures to promote energy efficiency across organizations
- Setting of minimum energy efficiency standards

**SAEE**

- Informs producers and importers of products on the requirements for eco-design of such products;
- Carries out informational campaign to stimulate implementation of energy efficiency measures by enterprises;
- Shares the information on the benefits of using energy efficient products among consumers

**Eco-design requirements**

- Eco-design requirements are set for separate products, which must be met (regardless of buyer)
- Requirements for eco-design are set by technical regulations based on EU legislative acts

**Source:** data of Minregion
Article 9. Eco-design requirements for products related to energy consumption

1. Energy-consuming products shall comply with eco-design requirements established by technical regulations when placed on the market and/or put into service.

2. The eco-design requirements to energy-consuming products, and scope of the requirements shall be set by technical regulations based on relevant legislative acts of the European Union.

3. The central executive body that ensures implementation of the national energy efficiency policy shall inform:
   1) manufacturers and importers of energy-related products about the eco-design requirements for such products;
   2) business entities that produce energy-consuming products, in particular micro, small and medium enterprises, about possibilities and feasibility of implementing environmentally sound approaches, including energy efficiency improvement measures, at the stage of design of such products;
   3) consumers about benefits of using energy-consuming products that comply with the eco-design requirements.

4. Market surveillance on compliance with the eco-design requirements shall be carried out by the central executive body that ensures implementation of the market surveillance in accordance with the procedure established by the Law of Ukraine “On state market surveillance and control of non-food products”.

Commentary

Implementation of eco-design in Ukraine will allow to eliminate inefficient outdated products from the market (mainly household appliances) and, together with the already implemented eco-labeling, will provide the necessary information to consumers to make well considered decision.

How eco-design requirements will function in Ukraine

Source: data of Minregion
Article 10. Annual energy savings in energy consumption

1. The energy supply reduction target shall be calculated in absolute values of primary energy consumption and final energy consumption by the central executive body that ensures implementation of the national energy efficiency policy.

The methodology for determining the final value of the energy supply reduction target shall be developed and approved by the central executive body that ensures formulation of the national energy efficiency policy, considering the requirements of legislative acts of the European Union, the Energy Community, the Law of Ukraine “On the Energy Efficiency of Buildings”.

2. Sales of energy in the area of transport may be partially or fully excluded during the calculation and setting the energy consumption reduction target specified in paragraph one of the present Article.

3. Achievement of the energy supply reduction target shall be attained through organizational, economic and legal measures of energy efficiency improvement measures according to the National plan.

4. The organizational, economic and legal measures of energy efficiency improvement are:

1) development and implementation of state programs in the area of energy efficiency;
2) improvement of the legal framework for taxation of energy and carbon dioxide emissions;
3) provision of state aid (support) in order to stimulate the application of energy efficient measures and reduce end-use energy consumption in accordance to the Law of Ukraine “On State Aid to Undertakings”;
4) conclusion of voluntary agreements, that lead to the application of energy-efficient technology or techniques and have the effect of reducing end-use energy consumption;
5) approval of standards, norms and rules that aim at improving the energy efficiency of products and services, including buildings and vehicles, (except when the adoption of such standards, norms and rules is mandatory in accordance with the requirements of legislative acts of the Energy Community);
6) introduction of energy labeling (except for cases of introducing energy labeling in accordance with the requirements of legislative acts of the Energy Community), and eco-design;
7) training and education on energy efficiency, that lead to the application of energy-efficient technology or techniques and have the effect of reducing end-use energy consumption;
8) functioning of the energy efficiency fund;
9) other measures resulting in reduction of end-use energy consumption.

5. Monitoring and evaluation of results of application of organizational, economic and legal measures shall be carried out by the central executive body that ensures implementation of the national energy efficiency policy, using statistical data and data derived from the methodology of primary information collection. Monitoring and evaluation of results of application of organizational, economic and legal measures shall be carried out based on the criteria of transparency, materiality and additionally of such measures.

6. Parties to the voluntary agreements shall provide reports on level of achievement of the annual energy consumption reduction target to the central executive body that ensures implementation of the national energy efficiency policy, annually, before 15 March of the year following the reporting.

7. The central executive body that ensures implementation of the national energy efficiency policy shall publish on its official website information on achievement of the annual energy consumption reduction target during the reporting year.
8. The central executive body that ensures implementation of the national energy efficiency policy, every three years before 30 April, shall inform the Secretariat of the Energy Community on achievement of the annual energy consumption reduction target during the reporting year.

Commentary

Directive 2012/27/EU provides two approaches to reduce energy consumption at the national level: imposing obligations on energy suppliers to reduce energy consumption by consumers or alternatively, implementing other measures at state and local levels that would provide a similar result. Ukraine is invited to choose an alternative route, which is more common among EU member states.
Article 11. Energy audit and energy management systems

1. Energy audit shall be carried out by an energy auditor, who is independent, has no conflict of interest and is not financially or by other means interested, directly or indirectly, in the result of the energy audit.

2. Based on the results of the energy audit, an energy audit report shall be drawn up.

3. Energy audit shall be carried out on a contractual basis.

4. The procedure for carrying out energy audits and criteria for its quality are set by the national standards of Ukraine, harmonized with international standards.

5. Professional certification of persons intending to carry out energy audits shall be conducted by certification commissions. The certification commissions shall be created by institutions and organizations accredited in the order established by the Cabinet of Ministers of Ukraine.

6. The central executive body that ensures implementation of the national energy efficiency policy shall form, maintain and publish a database of energy auditors on its official website.

7. Large business entities, as well as business entities whose annual energy consumption exceeds 1,000 tons of standard fuel, that receive state aid for the implementation of energy efficient measures shall conduct energy audits.

Large business entities, as well as business entities whose annual energy consumption exceeds 1,000 tons shall be exempt from the obligation to carry out energy audits in case of introduction of an energy or environmental management system certified by an independent body in accordance with harmonized European and international standards and which provides for conducting of an energy audit.

8. The central executive body that ensures implementation of the national energy efficiency policy shall ensure:

1) publishing and providing access of consumer to information on the procedure and features of attestation of persons intending to carry out activities related to energy audits;

2) availability and popularisation of the benefits of energy audits performed;

3) raising awareness of the benefits of energy audit;

4) organizational, normative and methodical support for the functioning of energy management systems in budgetary institutions of local self-government bodies and state authorities.

9. Certification of energy efficiency as a type of energy audit, activities of experts in the audit of energy efficiency of buildings and professional attestation of persons intending to carry out certification of energy efficiency, and independent monitoring of building energy certificates, shall be carried out in accordance with the procedure and considering the specifics established by the Law of Ukraine “On the Energy Efficiency of Buildings”.

Implementing
art. 8 of the Directive 2012/27/EU

Partly implemented in
Law «On energy efficiency of buildings»
Commentary

Ukrainian economy remains the most energy intensive in Europe. Industry consumes nearly 16.4 million toe of energy resources per year. Reducing consumption by at least 5% may reduce gas imports by 0.9 billion m³ annually. That is why introduction of energy audits and energy management systems requirements is important to increase competitiveness of the economy and its sustainability.

More than 50 Ukrainian companies have already introduced energy management systems in accordance with the international standard ISO 50001.

Comparison of energy intensity of selected countries’ economies in 2015, koe /$ GDP by PPP in 2010 prices

Source: data of International Energy Association (IEA)
Article 12. Metering and billing of energy


1. Transmission system operator, which operates under the Law of Ukraine "On Electricity Market"; gas transmission system operator, which operates under the Law of Ukraine "On the Natural Gas Market" (hereinafter – transmission system operators) and distribution system operator, which operates under the Law of Ukraine "On Electricity Market"; gas distribution system operator, which operates under the Law of Ukraine "On the natural gas market" (hereinafter – distribution systems operators), on the basis of evaluation of the technical and economic feasibility of establishing intelligent accounting systems, shall take measures to install intelligent accounting systems that provide accurate (correct) information on actual energy consumption, including by time periods.

2. The procedure for assessing the technical and economic feasibility of installing the intelligent metering systems shall be approved by the Cabinet of Ministers of Ukraine.

3. Promoting the establishment of intelligent metering systems can be carried out through the following measures:
   1) provision of state aid for measures necessary to establish the intelligent metering systems in accordance to the Law of Ukraine “On State Aid to Undertakings”;
   2) setting prices/tariffs by the National Electricity Regulatory Commission of Ukraine that will stimulate the installation of the intelligent metering systems;
   3) implementation of other measures stipulated by the legislation.

Commentary

EU legislation recommends to introduce smart metering systems for the most effective functioning of energy markets. These metering devices allow owners to manage their energy consumption efficiently, while suppliers are provided by accurate information on supply and demand.

How commercial metering of energy will work

All services are metered in accordance with the relevant Laws. All the necessary laws have already been adopted by Parliament

Transmission system operators and distribution system operators assess technical and economic feasibility of the smart metering systems implementation.

Energy suppliers provide consumers with access to energy consumption information (weekly, monthly, and yearly consumption). Information could be provided via the Internet or the interface of the meter

Source: data of Minregion
Article 13. Stimulation of energy efficiency in the field of transmission and distribution of electricity, transportation and distribution of natural gas

1. The National Energy and Utilities Regulatory Commission shall develop and approve the methodology of assessment of energy efficiency potential of the gas transportation system, electricity transmission system, gas distribution system, electricity distribution system, taking into the requirements of legislative acts of the European Union and the Energy Community.

2. Transmission system operators and distributor systems operators shall carry out an assessment of the energy efficiency potential of the gas transportation system, electricity transmission system, gas distribution system, electricity distribution system in Ukraine every three years, before 1 April.

3. Transmission system operators and distributor systems operators shall, within ten days after completion of the assessment, send to the National Energy and Utilities Regulatory Commission the result of the assessment of the energy efficiency potential of the gas transportation system, electricity transmission system, gas distribution system, electricity distribution system in Ukraine.

The National Energy and Utilities Regulatory Commission shall, based on the received information, form and publish on its official website the report on the assessment of the potential of the gas transportation system, electricity transmission system, gas distribution system, electricity distribution system.

The formation and publication of the report on the assessment of the potential of the gas transportation system, electricity transmission system, gas distribution system, electricity distribution system in Ukraine shall be conducted before 1 June of the year in which the respective assessment is conducted.

4. Based on the results of the assessment of the energy efficiency potential of the gas transportation system, electricity transmission system, gas distribution system, electricity distribution system, the transmission system operators and distribution system operators shall determine the measures to improve the energy efficiency of the relevant systems. Such measures may be included by transmission system operators and distribution system operators to investment programs / development plans of relevant systems based on technical and economic feasibility.

5. The National Energy and Utilities Regulatory Commission, within the scope of its competence, shall ensure:

1) stimulating the participation of consumers who have the possibility to manage their consumption in the wholesale and retail electricity markets;

2) stimulating the access and participation of electricity consumers, who are able to manage their load, in markets for balancing, reserving, auxiliary and other services, taking into account technological constraints;

3) correspondence electricity transmission and distribution tariffs with the cost savings achieved as a result of introduction of energy efficient measures in electricity grids due to, including but not limited to, investments in electrical networks or the application of a more optimal mode of operation of the electric networks and/or as a result of demand management measures and distributed generation;

4) promotion of introduction of smart grids by establishing a system of economic incentives for the transmission and distribution system operators.

6. Implementation of the provisions of paragraph four of the present Article in the area of electricity shall be carried out in compliance to the requirements of reliability and safety of the united energy system of Ukraine and on the basis of transparent and non-discriminatory criteria defined by the National Energy and Utilities Regulatory Commission.
7. The introduction of smart grids shall be carried out taking into account the Concept for the introduction of smart grids in Ukraine and the medium-term Plan for Implementation of Smart Grids in Ukraine approved by the Cabinet of Ministers of Ukraine.

**Commentary**

*Losses in electricity grids accounted to 18% in Ukraine, which is nearly UAH 70 bn per year, comparing to 4% losses in grids of the most developed EU member states.*

*Losses in gas networks make up to 5%, which is nearly UAH 12 bn per year, whereas losses in the EU member states make up to 0.2–3.9%.*

**Stimulating energy efficiency by the National Regulator**

STEMULATION

**Source:** data of Minregion
Article 14. Stimulation of energy efficiency in the area on heat supply

1. Local self-government bodies shall develop heat supply schemes for cities and other settlements of Ukraine, for the term of validity of 7 years, on the basis of an optimal combination of the centralized and autonomous heat supply systems. When developing the heat supply schemes, the local self-government bodies shall make a cost benefit analysis in accordance to which assess the potential for the implementation of efficient heat supply systems and the use of waste heat energy (hereinafter — the assessment of energy efficiency potential in heat supply. Information on the energy efficiency potential in heat supply shall be included in the heat supply scheme as a separate section.

2. The section on the assessment of the energy efficiency potential in heat supply shall contain in particular:
   1) the description and the map of the territory indicating the existing and potential objects of heat energy consumption, existing and planned infrastructure of the centralized heat supply, potential sources of heat energy, including industrial plants or other facilities generating waste heat energy;
   2) assessment of the energy efficiency potential of the centralized heating system infrastructure;
   3) calculation of the target primary energy savings;
   4) assessment of local, regional, state and international heat supply aid programs, indicating, if any, potential portion of non-repayable assistance.

3. Local self-government bodies shall send the heat supply schemes to the Council of Ministers of the Autonomous Republic of Crimea, oblast, Kyiv and Sevastopol city state administrations for the purposes of consideration the estimated energy efficiency potential of heat supply systems while developing the regional programs for heat supply systems modernization.

The Council of Ministers of the Autonomous Republic of Crimea, oblast, Kyiv and Sevastopol city state administrations shall consider the section on estimation of energy efficiency potential of heat supply systems while developing the regional programs for heat supply systems modernisation.

4. The Council of Ministers of the Autonomous Republic of Crimea, oblast, Kyiv and Sevastopol city state administrations shall annually, before 1 April, form an aggregated report on the energy efficiency potential of heat supply determined by the local self-government bodies when drawing up the heat supply schemes, and submit it to the central executive body that ensures formulation of the national energy efficiency policy.

The form of the report and order of its submission shall be approved by the central executive body that ensures formulation of the national energy efficiency policy.

5. The central executive body that ensures formulation of the national energy efficiency policy shall form the national report on the assessment of the energy efficiency potential of heat supply that shall be approved by the Cabinet of Ministers of Ukraine.

6. The Cabinet of Ministers of Ukraine, on the basis of the national report on the assessment of the energy efficiency potential of heat supply, may develop and approve state programs, introduce financial or regulatory mechanisms for stimulating the introduction of efficient heat supply systems and use of waste heat energy.

Commentary

Almost 2.4 bn m3 of natural gas is wasted every year due to low efficiency of district heating systems (demolition of heating networks and boiler houses) in Ukraine. These losses costs about UAH 21 billion annually. The investment need for modernization of the district heating system is nearly USD 6 billion.
Assessment of energy efficiency potential in the district heating system

1. Approves the methodology for developing heat supply schemes (HSS), that must include assessment of the potential of energy efficiency
2. Develops a heat supply scheme for the city, which is approved by the Ministry of Regional Development
3. The Regional State Administration approves heat supply schemes developed by local authorities
4. Regional administration develops a regional program of heat supply scheme modernization based on HSS
5. Regional administration submits reports on the assessment of the energy efficiency potential to the Minregion
6. CMU approves the national report on the assessment of energy efficiency potential

Source: data of Minregion
Article 15. Energy services

1. An individual, individual entrepreneur or legal entity can conclude an energy performance contract for energy efficiency improvement or other measures aimed at the reduction of consumption and/or payments for energy resources and/or utilities, compared to consumption and/or payments that would exist in the absence of such measures. The payment for the energy service under the energy performance contract shall be carried out by the amount (or part thereof) saved through reduction of consumption and/or expenses for payment of energy resources and/or utilities compared to consumption (payments) in the absence of such measures.

2. The central executive body that ensures implementation of the national energy efficiency policy shall promote the creation of conditions for development of the energy services market and access of small and medium enterprises to this market through:

   1) disseminating information on:
      - available energy service contracts and essential conditions of such energy service contracts;
      - financial instruments (grants, loans) and other mechanisms aimed at promotion of the energy service market;
      - practices for energy performance contracting, including cost-benefit analysis.
   2) formation, publication and continuous updating of the list of energy service providers, or creation of an information system, which will include information on the energy service providers;
   3) support of public authorities and local governments during procurement of energy services;
   4) promotion of attraction of independent market intermediaries, which will stimulate consumers and executors of the energy service before the conclusion of energy service contracts.

2. Distribution system operators, energy suppliers are prohibited from taking any measures that impede the delivery of energy services or other energy efficiency improvement measures, or hinder the development of markets for such services or measures, including through limiting access to those markets for other entities, taking other anti-competitive practices or abusing dominant positions.

Commentary

ESCO-mechanism is one of the key elements for ensuring the implementation of energy efficiency measures in the public sector in EU-member states. It is expected that the development of the energy services market will allow Ukraine to increase the energy efficiency of public buildings and significantly reduce the budget burden to pay for housing and communal services.

Unfortunately, Ukrainian energy services market develops slowly. Despite the fact that in 2015 the Parliament adopted laws that opened the possibility for the public sector to sign contracts with ESCO-companies, just 144 ESCO-agreements have been signed for total amount of UAH 116.5 million.
Energy performance services which may be provided upon customer’s choice

- Energy audit and advice on measures selection
- Project design
- Support in attracting or providing financing
- Construction management
- Commissioning
- Services and maintenance
- Savings monitoring

Source: data of Minregion
Article 16. Promoting and encouraging the energy efficiency level increase among consumers

1. Encouraging consumers to implement energy efficiency measures shall be carried through:
   - provision of state aid (support);
   - providing access to finance, including grants and subsidies, cheaper loans to implement energy efficiency measures, reimbursement of the cost of energy efficiency measures, providing non-repayable financial and technical aid;
   - provision of information and implementation of information and educational measures to increase energy efficiency;
   - implementation and promotion of pilot projects;
   - stimulating behavioral change in energy consumption at the workplace;
   - encouraging the introduction of intelligent energy accounting systems.

2. The central executive body that ensures implementation of the national energy efficiency policy shall ensure:
   1) availability of information on existing mechanisms, financial and legal frameworks for improving energy efficiency among consumers, persons engaged in the field of construction and architecture, energy and environmental auditors;
   2) provision of information to banks and other financial institutions on possibilities of participating, including through the creation of public/private partnerships, in the financing of energy efficiency improvement measures and projects;
   3) establishment of appropriate conditions for energy suppliers to provide actual information and recommendations on energy efficiency improvement measures to energy consumers;
   4) promotion, with the participation of other persons and entities, awareness-raising and training initiatives to inform citizens of the benefits and practice of taking energy efficiency improvement measures;
   5) carrying out an assessment and, if necessary, formation and submission to the Cabinet of Ministers of Ukraine of proposals for taking measures to eliminate regulatory and non-regulatory barriers in the area of energy efficiency.

Commentary

Awareness raising campaigns are one of the main drivers in promoting the need for rational use of energy resources by the population. State bodies have to make efforts to enhance understanding of the need for energy efficiency measures. This applies to both promotional campaign and the provision of grants or other types of support and implementation of pilot projects.
Illustrations of promo-materials aimed at raising awareness on energy efficiency

Source: open data
1. In order to support energy efficiency initiatives, implementation of incentive and support measures to improve energy efficiency and energy conservation of buildings, an Energy Efficiency Fund has been established and operates in accordance with the law.

2. Other funds may be established in order to implement state policy in the area of energy efficiency.

**Commentary**

Ukraine has already established the Energy Efficiency Fund, which is financed both from the State Budget and the Multi-Donor Fund. The next steps will be launching of the Fund’s functioning and scaling of its activities.

The Energy Efficiency Fund will provide financial (grants) and technical (consultations) support to the population for renovation of residential buildings.

**Energy Efficiency Fund model**

![Diagram of Energy Efficiency Fund model]

*Source: data of Minregion*
Article 18. Responsibility for violation of law in the area of energy efficiency

1. Persons guilty for violating the requirements of the law in the area of energy efficiency shall bear responsibility in accordance with the law.

2. National Energy and Utilities Regulatory Commission may apply the following sanctions:
   1) for failure to achieve energy supply reduction target - up to two thousand non-taxable minimum incomes of citizens;
   2) for obstructing the implementation of the energy service and other energy-efficient measures, constraining the development of energy service market and other energy-efficient measures - up to five hundred non-taxable minimum incomes of citizens.

Article 19. Final and transitional provisions

1. This Law shall enter into force on the day following the day of its publication, and take effect after 12 months from the date of entering into force by this Law, except for Article 6, which shall take effect after 15 months from the date of entering into force by this Law.

Before taking effect of paragraphs five-seven of Article 11, an energy auditor is an individual or a group of individuals conducting the energy audit.


3. To supplement paragraph one of Article 26 of the Law of Ukraine “On Local Self-government in Ukraine” (Official Gazette of the Verkhovna Rada of Ukraine, year 1997, No. 24, p. 170) with the new clause 421 as follows:
   “421) implementation of the energy management system;”;

   in paragraph two of part six of Article 7 of the Law of Ukraine “On heat supply” (Official Gazette of the Verkhovna Rada of Ukraine, year 2005, No. 28, p. 373) words and numbers “shall be at least 5-7 years old” shall be replaced with the words and number “shall be equal to 7 years”;

   in paragraph two of part one of Article 7 of the Law of Ukraine "On Energy Efficiency of Buildings" (Official Gazette of the Verkhovna Rada of Ukraine, year 2017, No. 33, p.359), the words "and in all premises" should be replaced by the words "and at least in one chamber".

4. Energy savings target for buildings of central executive bodies in the period from the date of taking effect by this Law until 31 December 2020, shall be equivalent to energy savings that could be obtained through thermal modernization of 1% of the total area of such buildings per year up to the level of energy efficiency of the buildings into compliance with the minimum requirements to energy efficiency established in accordance with the Law of Ukraine “On Energy Efficiency of Buildings”.

5. The annual energy consumption reduction target in the period from the date of taking effect by this Law until 31 December 2020 shall be equal to 0,7% of the total annual sales of energy to consumers by energy supplying...
organizations, averaged over the period from 1 January 2012 until 31 December 2014. In assessing the achievement of the annual energy consumption reduction target, the calculation may include energy savings achieved as a result of the implementation of energy efficiency measures implemented since 31 December 2008, that affect the reduction of energy consumption by 2020, and can be measured and evaluated.

6. The Cabinet of Minister of Ukraine shall:

within three months from the date of entering into force by this Law:
- approve the National Energy Efficiency Target by 2020;
- within one year from the date of entering into force by this Law:
- develop regulatory acts necessary for the implementation of this Law;
- ensure that the ministries and other central executive bodies review and bring their normative legal acts into compliance with this Law
- ensure that Ministries and other central bodies of executive power revise their legal acts, bring them in compliance to this Law and adopt acts necessary to implement this Law;
- approve the Strategy to Ensure Energy Performance of Buildings;
- approve the National Plan.

7. The central executive body that ensures implementation of the national energy efficiency policy shall:

within one month from the date of entering into force by this Law:
- inform the Secretariat of the Energy Community on the choice of an alternative approach in transposition of Articles 5 and 7 of the Directive 2012/27/EU.
- within three months from the date of entering into force by this Law:
- form and publish the database of buildings, provided for in paragraph four of Article 6 of this Law.
- within six months from the date of entering into force by this Law:
- provide to the Secretariat of the Energy Community information on organizational, economic and legal energy efficiency measures planned to be implemented with a view to achieve the energy efficiency target.

8. The National Commission for State Regulation in the Energy and Utilities shall within six months from the date of entering into force by this Law approve the methodology for assessment of the energy efficiency potential of the gas transportation system, electricity transmission system, gas distribution system, electricity distribution system.

9. Transmission and distribution system operators shall within two years з from the date of entering into force by this Law carry out the first assessment of the energy efficiency potential of the gas transportation system, electricity transmission system, gas distribution system, electricity distribution system in Ukraine.
Timeline of the implementation of the Law «On energy efficiency»

Adoption of the Law “On energy efficiency”

3m

Adoption of the National energy efficiency target 2020 by CMU

SAEE develops the database of state buildings

3m

SAEE develops a list of measures according to the Article 9 of the draft law

NEURC approves the methodology for assessing the potential of the EE of the gas transmission system, electricity transmission system, gas distribution system, electricity distribution system

6m

CMU develops and approves bylaws, envisaged by the draft law

The Law “On Energy Efficiency” comes into force

Year

CMU develops and approves the Strategy to ensure energy performance of buildings

CMU develops and approves National Energy Efficiency Action Plan

Year

Article 6 of the draft law comes into force

Part 5 of the Article 11 of the draft law comes into force

15m

Assessment of the potential of energy efficiency

Article 1. Definition of terms

In this Law, the terms below shall be used in the following meanings:

1) eco-design requirement – a requirement in relation to an energy-related product or the design of such a product, intended to improve its ecological characteristics, or for the supply of information on the ecological aspects of this product;

2) voluntary agreements – agreements between economic entities and state authorities, local self-government bodies that lead to the application of energy-efficient technology and have the effect of reducing end-use energy consumption;

3) eco-design – integration of ecological aspects into the process of designing an energy-related product with the aim of improving the ecological characteristics of the product throughout its life cycle;

4) energy savings – an amount of reduced energy consumption, determined by comparing the volume of consumption measured and/or estimated before and after the implementation of energy-efficient measures, whilst ensuring normalisation for external conditions that affect energy consumption;

5) energy efficiency – the ratio between the output of goods (performance (operation), products, services and energy) to the amount of input energy used to produce such goods;

6) energy audit – the procedure of collection and analysis of information on the energy consumption pattern (profile) of a building or groups of buildings, the production of goods (services, works), equipment, which results in the identification and calculation of cost-effective recommendations on reduction of energy consumption or preventing increased energy costs;

7) energy – all forms of fuels and energy used in the national economy, including natural gas, coal, oil, oil products, liquefied gas, renewable energy, heat, electricity;

8) energy auditor – a natural person, whose qualification gives the right to carry out an energy audit;

9) energy labelling – informing a consumer about the level of energy efficiency of an energy-related product, and providing supplementary information by the producer through using an energy label;

10) energy efficiency improvement measures – activities, that result in reducing energy input per unit of goods (performance (operation), products, services and energy);

11) energy supplier – a legal person that supplies energy to the consumer under the law and according to the contract (including the suppliers of electricity, natural gas, heat);

12) efficient district heating system – a district heating system using at least 50% of renewable energy, or 50% of waste heat, or 75% of cogenerated heat, or 50% of a combination of renewable energy and waste heat;

13) intelligent metering system – a set of metering devices as an integrated system that measure the amount of energy and volume of consumption, and provide a two-way exchange of information through electronic means of data transmission;

14) final energy consumption – the amount of energy supplied to consumers in spheres of industry, transport, housing, services and agriculture, with the exception of the energy supplied for the conversion or transformation processes and the energy consumed by the energy sector;

15) primary energy consumption – gross (total) amount of inland energy consumption excluding energy used to meet non-energy needs;

16) primary energy resource – energy resource concentrated in natural resources that was not subjected to any artificial changes or transformation;

17) energy-related product – any good that has an impact on energy consumption during use.
which is placed on the market and/or put into service, and includes parts intended to be incorporated into energy-related products which are placed on the market and/or put into service as individual parts for end-users and of which the environmental performance can be assessed independently;

18) smart grids – electricity networks that can integrate in a cost-efficient manner the participants of the electricity market, which enable to manage energy supply and consumption in order to increase the reliability of power supply and safety of the power system;

19) energy management system – set of interrelated elements that form a system of energy consumption management that includes organizational structure, management functions, duties and responsibilities, strategies, procedures, processes, resources for the formation, implementation and achievement of energy efficiency objectives;

20) waste heat – thermal energy produced as a by-product of main economic activity or amount of heat generated in the process of production of heat that is excessive for own needs and can be used for district heating;

21) consumer – a natural or legal person who uses energy for own consumption;

22) conventional fuel – a unit of fuel accounting, which is used to reflect the ratio and comparison of the efficiency of use of different types of natural fuel, and for the total accounting for use of different types of fuel.


Article 2. Subject matter and scope of the Law
1. This law regulates the relations in the field of energy efficiency and aims at strengthening energy security, competitive and sustainable economic development, preservation of primary energy resources and reduction of greenhouse gas emissions.

2. The scope of energy efficiency covers energy efficiency measures implemented in the production, transportation, transmission, distribution, supply and consumption of energy.

Article 3. National Energy Efficiency Policy

1. The main objectives and activities of the national energy efficiency policy are:

   1) removing the regulatory and non-regulatory barriers during the implementation of energy efficiency measures and energy efficiency projects;

   2) strengthening the cooperation between consumers, producers, energy suppliers, energy services providers, central and local governments with a view to achieve the objectives and targets in the field of energy efficiency;

   3) promotion and use of highly efficient technology, energy management systems, energy consumption monitoring systems;

   4) promotion of the use of energy from renewable energy sources by energy consumers;

   5) legislative implementation of financial and tax stimulation mechanisms for implementing energy efficiency measures;

   6) promotion of energy services market development;

   7) development of efficient district heating systems and high-efficiency cogeneration, promotion of access to the grid system for electricity produced from high-efficiency cogeneration.

Article 4. National Energy Efficiency Target

1. National policy in the field of energy efficiency is aimed to ensure the achievement of the National Energy Efficiency Target approved by the Cabinet of Ministers of Ukraine.

2. The National Energy Efficiency Target shall be calculated in absolute values of primary energy consumption and final energy consumption by the central executive body, which ensures the implementation of the national policy in the field of energy efficiency. When calculating the National
Energy Efficiency Target, the requirements of the legislation of the European Union, the Energy Community, the objectives of final energy consumption for the member states of the Energy Community, the provisions of this Law, and other measures of promotion energy efficiency are taken into account.

3. The central executive authority, which ensures the implementation of the national policy in the field of energy efficiency, shall inform the Energy Community Secretariat about the approval of the National Energy Efficiency Target and provide information on the methods and data based on which it was calculated.

1. For the purpose of achieving the National Energy Efficiency Target, the National Energy Efficiency Action Plan (hereinafter – the National Plan) is developed by the central executive body that ensures implementation of the national energy efficiency policy, and approved by the Cabinet of Ministers of Ukraine.

The Cabinet of Ministers of Ukraine updates the National Plan every three years.

2. The National Plan contains:
   1) the list of energy efficiency improvement measures, in particular in the transmission, distribution of energy and energy end-use and the timeframe of their implementation;
   2) sources of finance for energy efficiency improvement measures;
   3) the estimated amount of energy savings upon implementation of energy efficiency improvement measures;
   4) other information in accordance with the requirements of the legislation of the European Union, the Energy Community.

3. The methodology for determining the estimated energy savings in implementing energy efficiency improvement measures is approved by the central executive body responsible for the energy efficiency policy designing.

4. The central executive body that ensures implementation of the national energy efficiency policy systematically monitors the implementation of the National Plan and submits summarized information on its implementation to the Cabinet of Ministers of Ukraine every year by the 10th day of the second month following the reporting period.

The procedure for collection of primary information, monitoring and evaluating the implementation of the National Plan is determined by the Cabinet of Ministers of Ukraine.

5. Public authorities and local governments, natural persons and legal entities responsible for implementing energy efficiency improvement measures are required to provide information on the results of implementing energy efficiency measures to the central executive body that ensures implementation of the national energy efficiency policy in order to monitor and evaluate implementation of the National Plan.

6. The central executive body that ensures implementation of the national energy efficiency policy submits the National Plan once in three years until April 30 to the Energy Community Secretariat.

7. Local governments can develop and approve sustainable energy and climate action plans containing measures to be implemented by local governments to achieve the goals of energy efficiency, energy development and adaptation to climate changes including reduction of carbon dioxide emissions taking into account the objectives of the European Union in these areas.

Article 6. Strategy for thermal modernisation of buildings
1. The Strategy for thermal modernisation of buildings is developed by the central executive body that ensures formulation of the national energy efficiency policy and approved by the Cabinet of Ministers of Ukraine.

The Cabinet of Ministers of Ukraine updates the Strategy for thermal modernisation of buildings every three years.

2. The Strategy for thermal modernisation of buildings shall apply to residential and non-residential buildings of all forms of ownership and contain:
1) an overview of the buildings stock in the country, which may be based on relevant statistical sampling;

2) identification of cost-effective approaches to the implementation of energy efficient improvement measures relevant to the building type and climatic zone;

3) measures to stimulate cost-effective thermal modernization of buildings;

4) long-term building renovation goals aimed at to guide investment in the field of energy efficiency of;

5) calculation of the estimated energy savings and other results of implementation of energy efficiency improvement measures.

3. The central executive body that ensures implementation of the national energy efficiency policy after the revision by the Cabinet of Ministers of Ukraine submits the Strategy for thermal modernisation of buildings to the Energy Community Secretariat every three years by April 30 of the relevant year.

Article 7. Ensuring energy efficiency of public bodies’ buildings

1. The Cabinet of Ministers of Ukraine shall set an energy savings target for buildings of central executive bodies (hereinafter – the “energy savings target for buildings”).

The energy savings target for buildings shall be calculated in absolute values of primary energy consumption and final energy consumption by the central executive body that ensures formulation of the national energy efficiency policy.

The method of calculation of the savings target for buildings of central executive bodies shall be developed and approved by the central executive body that ensures formulation of the national energy efficiency policy, taking into account the requirements of the legislation of the European Union and the Energy Community.

2. Buildings subject to the requirement to achieve energy savings target for buildings shall meet the following features:

1) be owned, possessed or used by central executive bodies;

2) occupied by the apparatus of central executive bodies or their territorial branches;

3) the heated area is more than 250 square meters;

4) the level of energy efficiency of the building as of the date of entry into force of this Law does not meet the minimum energy efficiency requirements for buildings, set in accordance with the Law of Ukraine “On the Energy Efficiency of Buildings”.

3. The requirement on achievement of the energy savings target for buildings shall not apply to buildings:

1) attributed to cultural heritage sites;

2) ensuring the activities of the Armed Forces of Ukraine or other state bodies, forming and implementing the state policy on national security and defense.

4. The central executive body that ensures formulation of the national energy efficiency policy shall form and publish a database of buildings, which are occupied by the central government authorities and owned by the state authorities (hereinafter – the “database of buildings”). Access to the database of buildings shall be free of charge and shall be ensured via official website of the central executive body that ensures formulation of the national energy efficiency policy.

The database of buildings does not include buildings specified in the paragraph three of this Article.

The procedure for creation, maintaining of the database of buildings, its publication and exchange of information with the database of energy certificates shall be approved by the Cabinet of Ministers of Ukraine.

5. Executive bodies shall provide information necessary to form the database of buildings to the central executive body that ensures formulation of the national energy efficiency policy.

6. The central executive body that ensures formulation of the national energy efficiency policy shall annually, before 30 May, develop a plan to increase the level of energy efficiency in buildings of central executive
bodies for the following calendar year, indicating the sources of funding for such measures.

The plan to increase energy efficiency in buildings of central executive bodies shall be approved by the Cabinet of Ministers of Ukraine.

7. In order to fulfill obligations on achievement the energy savings target for buildings the following measures shall be implemented:

1) introduction of energy management system;
2) conclusion of energy service contracts;
3) carrying out thermal modernization of buildings;
4) other energy efficient measures.

8. The sources of financing energy efficient measures aimed at achieving the energy savings target may be:

1) funds allocated according to the Law “On the State Budget of Ukraine” for the respective year;
2) funds raised on a free-of-charge and irrevocable basis;
3) other sources that are not prohibited according to the legislation of Ukraine.

9. The central executive body that ensures formulation of the national energy efficiency policy shall monitor the achievement of the energy savings target and annually submit, before 10 (tenth) day of the second month following the reporting period, the consolidated information on the achieved results to the Cabinet of Ministers of Ukraine.

The monitoring of progress of achievement of energy savings target for buildings of executive bodies shall be carried out in the order approved by the Cabinet of Ministers of Ukraine.

10. The central executive body that ensures formulation of the national energy efficiency policy shall inform the Secretariat of the Energy Community on achievement of energy savings target, considering requirements of legislative acts of the European Union and the Energy Community every three years by April 30 of the relevant year.

**Article 8. Public procurement of energy-related goods and services related to energy consumption, and purchase or lease (rent) of buildings**

1. When energy-consuming products or services requiring the use of energy-consuming products are purchased by the public bodies, the class of energy efficiency of such products shall meet the maximum class of energy efficiency set by regulatory acts in the area of energy labeling or indicative rates determined by regulatory acts in the area of eco-design.

2. In case of purchasing or leasing (renting) of buildings by state authorities, local government bodies, legal entities, that serve the needs of the state or a territorial community, the subject of such contracts shall be buildings that meet the minimum requirements for the energy efficiency of buildings.

3. The requirements of the first and second parts of this article shall not apply to cases of:

1) purchase of goods and services, the cost of which is less than the cost of subject of procurement defined in the paragraph two of the part one of Article 2 of the Law of Ukraine “On Public Procurement”;
2) purchase and lease (rent) of buildings for the purpose of their reconstruction or demolition;
3) purchase of buildings for the purpose of their further sale without using for own needs;
4) purchase and lease (rent) of buildings which are objects of cultural heritage;
5) procurement of goods and services for secured serving of defense needs.

4. The requirements of the first and second paragraphs of this Article shall not apply to cases to purchase of the relevant goods and services, purchase and lease (rent) of buildings when it is economically and technically not feasible, or the restriction of competition may occur due to such procurement.

Confirmation of economic and technical feasibility of application of the prohibition stipulated by paragraphs one and two of the present Article, its impact on competition in the purchase of relevant goods and services, purchase and lease (rent) of buildings, shall be carried out in accordance with the procedure and according to the methodical recommendations approved by the central executive body that ensures
5. The central executive body that ensures implementation of the national energy efficiency policy, jointly with the central executive body that ensures the formation and implementation of public policy in the area of public procurement, shall ensure:

- development of methodical recommendations for procurement of energy-related products or services requiring the use of energy-related products;
- development of sample specifications for procurement of energy-related products or services requiring the use of energy-related products.

6. State authorities, local government bodies, legal entities, that serve the needs of the state or a territorial community, are obliged to assess the possibility of concluding long-term energy supply contracts in case there are different price offers when purchasing services of supply of electricity, heat energy, hot water and gas.

The assessment of the possibility of concluding long-term energy supply contracts shall be conducted according to the methodology approved by the central executive body that ensures formulation of the national energy efficiency policy.

Article 9. Eco-design requirements for products related to energy consumption

1. Energy-consuming products shall comply with eco-design requirements established by technical regulations when placed on the market and/or put into service.

2. The eco-design requirements to energy-consuming products, and scope of the requirements shall be set by technical regulations based on relevant legislative acts of the European Union.

3. The central executive body that ensures implementation of the national energy efficiency policy shall inform:

   1) manufacturers and importers of energy-related products about the eco-design requirements for such products;

   2) business entities that produce energy-consuming products, in particular micro, small and medium enterprises, about possibilities and feasibility of implementing environmentally sound approaches, including energy efficiency improvement measures, at the stage of design of such products;

   3) consumers about benefits of using energy-consuming products that comply with the eco-design requirements.

4. Market surveillance on compliance with the eco-design requirements shall be carried out by the central executive body that ensures implementation of the market surveillance in accordance with the procedure established by the Law of Ukraine “On state market surveillance and control of non-food products”.

Article 10. Annual energy savings in energy supply

1. The energy supply reduction target shall be calculated in absolute values of primary energy consumption and final energy consumption by the central executive body that ensures implementation of the national energy efficiency policy.

The methodology for determining the final value of the energy supply reduction target shall be developed and approved by the central executive body that ensures formulation of the national energy efficiency policy, considering the requirements of legislative acts of the European Union, the Energy Community, the Law of Ukraine “On the Energy Efficiency of Buildings”.

2. Sales of energy in the area of transport may be partially or fully excluded during the calculation and setting the energy consumption reduction target specified in paragraph one of the present Article.

3. Achievement of the energy supply reduction target shall be attained through organizational, economic and legal measures energy efficiency improvement measures according to the National plan.

4. The organizational, economic and legal measures of energy efficiency improvement are:

   1) development and implementation of state programs in the area of energy efficiency;
2) improvement of the legal framework for taxation of energy and carbon dioxide emissions;

3) provision of state aid (support) in order to stimulate the application of energy efficient measures and reduce end-use energy consumption in accordance to the Law of Ukraine “On State Aid to Undertakings”;

4) conclusion of voluntary agreements, that lead to the application of energy-efficient technology or techniques and have the effect of reducing end-use energy consumption;

5) approval of standards, norms and rules that aim at improving the energy efficiency of products and services, including buildings and vehicles, (except when the adoption of such standards, norms and rules is mandatory in accordance with the requirements of legislative acts of the Energy Community);

6) introduction of energy labeling (except for cases of introducing energy labeling in accordance with the requirements of legislative acts of the Energy Community), and eco-design;

7) training and education on energy efficiency, that lead to the application of energy-efficient technology or techniques and have the effect of reducing end-use energy consumption;

8) functioning of the energy efficiency fund;

9) other measures resulting in reduction of end-use energy consumption.

5. Monitoring and evaluation of results of application of organizational, economic and legal measures shall be carried out by the central executive body that ensures implementation of the national energy efficiency policy, annually, before 15 March of the year following the reporting.

7. The central executive body that ensures implementation of the national energy efficiency policy shall publish on its official website information on achievement of the annual energy consumption reduction target during the reporting year.

8. The central executive body that ensures implementation of the national energy efficiency policy, every three years before 30 April, shall inform the Secretariat of the Energy Community on achievement of the annual energy consumption reduction target during the reporting year.

Article 11. Energy audit and energy management systems

1. Energy audit shall be carried out by an energy auditor, who is independent, has no conflict of interest and is not [financially or by other means] interested, directly or indirectly, in the result of the energy audit.

Energy audit can be carried out by a person who is in labor relations with an enterprise, institution, organization, in which the energy audit is carried out, provided that such person has passed the relevant professional certification.

2. Based on the results of the energy audit, an energy audit report shall be drawn up.

3. Energy audit shall be carried out on a contractual basis.

4. The procedure for carrying out energy audits and criteria for its quality are set by the national standards of Ukraine, harmonized with international standards.

5. Professional certification of persons intending to carry out energy audits shall be conducted by certification commissions. The certification commissions shall be created by institutions and organizations accredited in the order established by the Cabinet of Ministers of Ukraine.

The procedure for conducting professional certification of persons intending to carry out activities related to energy audits and qualification requirements for energy auditors shall be approved by the Cabinet of Ministers of Ukraine.
6. The central executive body that ensures implementation of the national energy efficiency policy shall form, maintain and publish a database of energy auditors on its official website.

The procedure for creation, maintenance and publication of the database of energy auditors shall be approved by the central executive body that ensures formulation of the national energy efficiency policy.

7. Large business entities, as well as business entities whose annual energy consumption exceeds 1,000 tons of standard fuel, that receive state aid for the implementation of energy efficient measures shall conduct energy audits.

Large business entities, as well as business entities whose annual energy consumption exceeds 1,000 tons shall be exempt from the obligation to carry out energy audits in case of introduction of an energy or environmental management system certified by an independent body in accordance with harmonized European and international standards and which provides for conducting of an energy audit.

8. The central executive body that ensures implementation of the national energy efficiency policy shall ensure:

1) publishing and providing access of consumer to information on the procedure and features of attestation of persons intending to carry out activities related to energy audits;

2) availability and popularisation of the benefits of energy audits performed;

3) raising awareness of the benefits of energy audit;

4) organizational, normative and methodical support for the functioning of energy management systems in budgetary institutions of local self-government bodies and state authorities.

9. Certification of energy efficiency as a type of energy audit, activities of experts in the audit of energy efficiency of buildings and professional attestation of persons intending to carry out certification of energy efficiency, and independent monitoring of building energy certificates, shall be carried out in accordance with the procedure and considering the specifics established by the Law of Ukraine “On the Energy Efficiency of Buildings”.

Article 12. Metering and billing of energy

1. Transmission system operator, which operates under the Law of Ukraine "On Electricity Market"; gas transmission system operator, which operates under the Law of Ukraine "On the Natural Gas Market" (hereinafter – transmission system operators) and distribution system operator, which operates under the Law of Ukraine "On Electricity Market"; gas distribution system operator, which operates under the Law of Ukraine "On the natural gas market" (hereinafter – distribution systems operators), on the basis of evaluation of the technical and economic feasibility of establishing intelligent accounting systems, shall take measures to install intelligent accounting systems that provide accurate (correct) information on actual energy consumption, including by time periods.

2. The procedure for assessing the technical and economic feasibility of installing the intelligent metering systems shall be approved by the Cabinet of Ministers of Ukraine.

3. Promoting the establishment of intelligent metering systems can be carried out through the following measures:

1) provision of state aid for measures necessary to establish the intelligent metering systems in accordance to the Law of Ukraine “On State Aid to Undertakings”;

2) setting prices/tariffs by the National Electricity Regulatory Commission of Ukraine that will stimulate the installation of the intelligent metering systems;

3) implementation of other measures stipulated by the legislation.

Article 13. Stimulation of energy efficiency in the field of transmission and distribution of electricity, transportation and distribution of natural gas

1. The National Energy and Utilities Regulatory Commission shall develop and approve the methodology of assessment of energy efficiency potential of the gas transportation system, electricity transmission system, gas distribution system, electricity distribution system, taking into the
requirements of legislative acts of the European Union and the Energy Community.

2. Transmission system operators and distributor systems operators shall carry out an assessment of the energy efficiency potential of the gas transportation system, electricity transmission system, gas distribution system, electricity distribution system in Ukraine every three years, before 1 April.

3. Transmission system operators and distributor systems operators shall, within ten days after completion of the assessment, send to the National Energy and Utilities Regulatory Commission the result of the assessment of the energy efficiency potential of the gas transportation system, electricity transmission system, gas distribution system, electricity distribution system in Ukraine.

The National Energy and Utilities Regulatory Commission shall, based on the received information, form and publish on its official website the report on the assessment of the potential of the gas transportation system, electricity transmission system, gas distribution system, electricity distribution system.

The formation and publication of the report on the assessment of the potential of the gas transportation system, electricity transmission system, gas distribution system, electricity distribution system in Ukraine shall be conducted before 1 June of the year in which the respective assessment is conducted.

4. Based on the results of the assessment of the energy efficiency potential of the gas transportation system, electricity transmission system, gas distribution system, electricity distribution system, the transmission system operators and distributor systems operators shall determine the measures to improve the energy efficiency of the relevant systems. Such measures may be included by transmission system operators and distribution system operators to investment programs / development plans of relevant systems based on technical and economic feasibility.

5. The National Energy and Utilities Regulatory Commission, within the scope of its competence, shall ensure:

1) stimulating the participation of consumers who have the possibility to manage their consumption in the wholesale and retail electricity markets;

2) stimulating the access and participation of electricity consumers, who are able to manage their load, in markets for balancing, reserving, auxiliary and other services, taking into account technological constraints;

3) correspondence electricity transmission and distribution tariffs with the cost savings achieved as a result of introduction of energy efficient measures in electricity grids due to, including but not limited to, investments in electrical networks or the application of a more optimal mode of operation of the electric networks and/or as a result of demand management measures and distributed generation;

4) promotion of introduction of smart grids by establishing a system of economic incentives for the transmission and distribution system operators.

6. Implementation of the provisions of paragraph four of the present Article in the area of electricity shall be carried out in compliance to the requirements of reliability and safety of the united energy system of Ukraine and on the basis of transparent and non-discriminatory criteria defined by the National Energy and Utilities Regulatory Commission.

7. The introduction of smart grids shall be carried out taking into account the Concept for the introduction of smart grids in Ukraine and the medium-term Plan for Implementation of Smart Grids in Ukraine approved by the Cabinet of Ministers of Ukraine.

Article 14. Stimulation of energy efficiency in the area on heat supply

1. Local self-government bodies shall develop heat supply schemes for cities and other settlements of Ukraine, for the term of validity of 7 years, on the basis of an optimal combination of the centralized and autonomous heat supply systems. When developing the heat supply schemes, the local self-government bodies shall make a cost benefit analysis in accordance to which assess the potential for the implementation of efficient heat supply systems and the use of waste heat energy (hereinafter – the assessment of energy efficiency potential in heat supply. Information on the energy efficiency potential in heat supply shall be
included in the heat supply scheme as a separate section.

2. The section on the assessment of the energy efficiency potential in heat supply shall contain in particular:

1) the description and the map of the territory indicating the existing and potential objects of heat energy consumption, existing and planned infrastructure of the centralized heat supply, potential sources of heat energy, including industrial plants or other facilities generating waste heat energy;

2) assessment of the energy efficiency potential of the centralized heating system infrastructure;

3) calculation of the target primary energy savings;

4) assessment of local, regional, state and international heat supply aid programs, indicating, if any, potential portion of non-repayable assistance.

3. Local self-government bodies shall send the heat supply schemes to the Council of Ministers of the Autonomous Republic of Crimea, oblast, Kyiv and Sevastopol city state administrations for the purposes of consideration the estimated energy efficiency potential of heat supply systems while developing the regional programs for heat supply systems modernization.

The Council of Ministers of the Autonomous Republic of Crimea, oblast, Kyiv and Sevastopol city state administrations shall consider the section on estimation of energy efficiency potential of heat supply systems while developing the regional programs for heat supply systems modernization.

4. The Council of Ministers of the Autonomous Republic of Crimea, oblast, Kyiv and Sevastopol city state administrations shall annually, before 1 April, form an aggregated report on the energy efficiency potential of heat supply determined by the local self-government bodies when drawing up the heat supply schemes, and submit it to the central executive body that ensures formulation of the national energy efficiency policy.

The form of the report and order of its submission shall be approved by the central executive body that ensures formulation of the national energy efficiency policy.

5. The central executive body that ensures formulation of the national energy efficiency policy shall form the national report on the assessment of the energy efficiency potential of heat supply that shall be approved by the Cabinet of Ministers of Ukraine.

6. The Cabinet of Ministers of Ukraine, on the basis of the national report on the assessment of the energy efficiency potential of heat supply, may develop and approve state programs, introduce financial or regulatory mechanisms for stimulating the introduction of efficient heat supply systems and use of waste heat energy.

Article 15. Energy services

1. An individual, individual entrepreneur or legal entity can conclude an energy performance contract for energy efficiency improvement or other measures aimed at the reduction of consumption and/or payments for energy resources and/or utilities, compared to consumption and/or payments that would exist in the absence of such measures. The payment for the energy service under the energy performance contract shall be carried out by the amount (or part thereof) saved through reduction of consumption and/or expenses for payment of energy resources and/or utilities compared to consumption (payments) in the absence of such measures.

2. The central executive body that ensures implementation of the national energy efficiency policy shall promote the creation of conditions for development of the energy services market and access of small and medium enterprises to this market through:

1) disseminating information on:
   - available energy service contracts and essential conditions of such energy service contracts;
   - financial instruments (grants, loans) and other mechanisms aimed at promotion of the energy service market;
   - practices for energy performance contracting, including cost-benefit analysis.

2) formation, publication and continuous updating of the list of energy service providers,
or creation of an information system, which will include information on the energy service providers;
3) support of public authorities and local governments during procurement of energy services;
4) promotion of attraction of independent market intermediaries, which will stimulate consumers and executors of the energy service before the conclusion of energy service contracts.

3. Distribution system operators, energy suppliers are prohibited from taking any measures that impede the delivery of energy services or other energy efficiency improvement measures, or hinder the development of markets for such services or measures, including through limiting access to those markets for other entities, taking other anti-competitive practices or abusing dominant positions.

Article 16. Promoting and encouraging the energy efficiency level increase among consumers
1. Encouraging consumers to implement energy efficiency measures shall be carried through:
   - provision of state aid (support);
   - providing access to finance, including grants and subsidies, cheaper loans to implement energy efficiency measures, reimbursement of the cost of energy efficiency measures, providing non-repayable financial and technical aid;
   - provision of information and implementation of information and educational measures to increase energy efficiency;
   - implementation and promotion of pilot projects;
   - stimulating behavioral change in energy consumption at the workplace;
   - encouraging the introduction of intelligent energy accounting systems.
2. The central executive body that ensures implementation of the national energy efficiency policy shall ensure:
   1) availability of information on existing mechanisms, financial and legal frameworks for improving energy efficiency among consumers, persons engaged in the field of construction and architecture, energy and environmental auditors;
   2) provision of information to banks and other financial institutions on possibilities of participating, including through the creation of public/private partnerships, in the financing of energy efficiency improvement measures and projects;
   3) establishment of appropriate conditions for energy suppliers to provide actual information and recommendations on energy efficiency improvement measures to energy consumers;
   4) promotion, with the participation of other persons and entities, awareness-raising and training initiatives to inform citizens of the benefits and practice of taking energy efficiency improvement measures;
   5) carrying out an assessment and, if necessary, formation and submission to the Cabinet of Ministers of Ukraine of proposals for taking measures to eliminate regulatory and non-regulatory barriers in the area of energy efficiency.

Article 17. Energy Efficiency Fund
1. In order to support energy efficiency initiatives, implementation of incentive and support measures to improve energy efficiency and energy conservation of buildings, an Energy Efficiency Fund has been established and operates in accordance with the law.
2. Other funds may be established in order to implement state policy in the area of energy efficiency.

Article 18. Responsibility for violation of law in the area of energy efficiency
1. Persons guilty for violating the requirements of the law in the area of energy efficiency shall bear responsibility in accordance with the law.
2. National Energy and Utilities Regulatory Commission may apply the following sanctions:
   1) for failure to achieve energy supply reduction target - up to two thousand non-taxable minimum incomes of citizens;
   2) for obstructing the implementation of the energy service and other energy-efficient
measures, constraining the development of energy service market and other energy-efficient measures - up to five hundred non-taxable minimum incomes of citizens.

Article 19. Final and transitional provisions

1. This Law shall enter into force on the day following the day of its publication, and take effect after 12 months from the date of entering into force by this Law, except for Article 6, which shall take effect after 15 months from the date of entering into force by this Law.

Before taking effect of paragraphs five-seven of Article 11, an energy auditor is an individual or a group of individuals conducting the energy audit.


3. To supplement paragraph one of Article 26 of the Law of Ukraine “On Local Self-government in Ukraine” (Official Gazette of the Verkhovna Rada of Ukraine, year 1997, No. 24, p. 170) with the new clause 421 as follows:

“421) implementation of the energy management system;”;

in paragraph two of part six of Article 7 of the Law of Ukraine “On heat supply” (Official Gazette of the Verkhovna Rada of Ukraine, year 2005, No. 28, p. 373) words and numbers “shall be at least 5-7 years old” shall be replaced with the words and number “shall be equal to 7 years”;

in paragraph two of part one of Article 7 of the Law of Ukraine "On Energy Efficiency of Buildings" (Official Gazette of the Verkhovna Rada of Ukraine, year 2017, No. 33, p.359), the words "and in all premises" should be replaced by the words "and at least in one chamber".

4. Energy savings target for buildings of central executive bodies in the period from the date of taking effect by this Law until 31 December 2020, shall be equivalent to energy savings that could be obtained through thermal modernization of 1% of the total area of such buildings per year up to the level of energy efficiency of the buildings into compliance with the minimum requirements to energy efficiency established in accordance with the Law of Ukraine “On Energy Efficiency of Buildings”.

5. The annual energy consumption reduction target in the period from the date of taking effect by this Law until 31 December 2020 shall be equal to 0,7% of the total annual sales of energy to consumers by energy supplying organizations, averaged over the period from 1 January 2012 until 31 December 2014. In assessing the achievement of the annual energy consumption reduction target, the calculation may include energy savings achieved as a result of the implementation of energy efficiency measures implemented since 31 December 2008, that affect the reduction of energy consumption by 2020, and can be measured and evaluated.

6. The Cabinet of Minister of Ukraine shall:

within three months from the date of entering into force by this Law:

- approve the National Energy Efficiency Target by 2020;
- within one year from the date of entering into force by this Law:
- develop regulatory acts necessary for the implementation of this Law;
- ensure that the ministries and other central executive bodies review and bring their normative legal acts into compliance with this Law
- ensure that Ministries and other central bodies of executive power revise their legal acts, bring them in compliance to this Law and adopt acts necessary to implement this Law;
- approve the Strategy to Ensure Energy Performance of Buildings;
- approve the National Plan.

7. The central executive body that ensures implementation of the national energy efficiency policy shall:

within one month from the date of entering into force by this Law:

- inform the Secretariat of the Energy Community on the choice of an alternative
approach in transposition of Articles 5 and 7 of the Directive 2012/27/EU.

- within three months from the date of entering into force by this Law:
  - form and publish the database of buildings, provided for in paragraph four of Article 6 of this Law.
- within six months from the date of entering into force by this Law:
  - provide to the Secretariat of the Energy Community information on organizational, economic and legal energy efficiency measures planned to be implemented with a view to achieve the energy efficiency target.

8. The National Commission for State Regulation in the Energy and Utilities shall within six months from the date of entering into force by this Law approve the methodology for assessment of the energy efficiency potential of the gas transportation system, electricity transmission system, gas distribution system, electricity distribution system.

9. Transmission and distribution system operators shall within two years from the date of entering into force by this Law carry out the first assessment of the energy efficiency potential of the gas transportation system, electricity transmission system, gas distribution system, electricity distribution system in Ukraine.