



Ukraine's gas market reform

An under-reported success story

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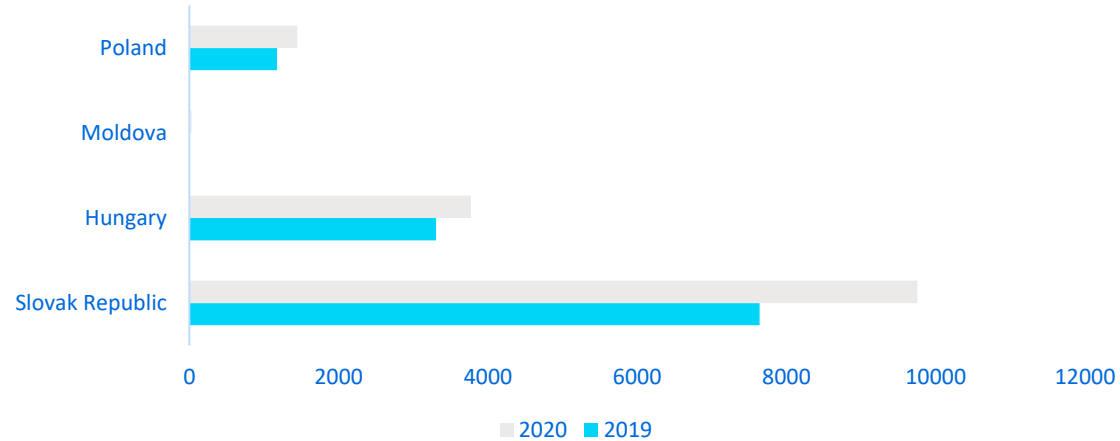


Ukraine's landmark achievements in reforming its gas sector

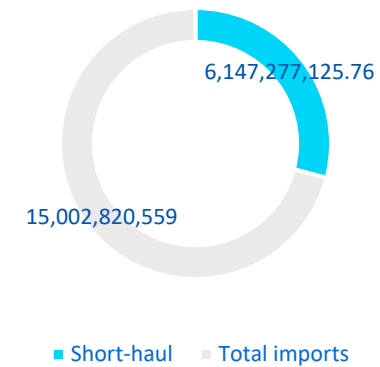
- ✓ Alignment with EU rules in adopting and applying key pieces of legislation that helped to establish a competitive, liberal market
- ✓ Unbundling of gas transmission operations from state company, Naftogaz, and establishing an independent, certified transmission system operator, GTSO in 2020
- ✓ Signing a five-year transit contract with Russia's Gazprom based on ship-or-pay terms
- ✓ Launching transparent transmission capacity auctions on all borders, including with Russia.
- ✓ Launching commercially attractive products such as short-haul and a customs warehouse regime to allow non-resident companies to import and store gas in Ukraine at reduced tariffs (short-haul) and exempt of customs clearance for a period of three years (customs warehouse regime)
- ✓ Deregulating most of the gas market by partially lifting a public service obligation
- ✓ Adopting a financial law which aligns its provisions with those of the EU's Markets and Financial Instruments Directive II (MIFID II) with regards to counterparty clearing, netting, formal title transfer, and credit management. In essence, it helps companies to minimise risk when trading in Ukraine
- ✓ Tightening up governance rules at state institutions and hiring a new generation of young, educated, English-speaking professionals
- ✓ Introducing greater transparency in publishing upstream, midstream, downstream data

CEE gas imports rise as new services are introduced

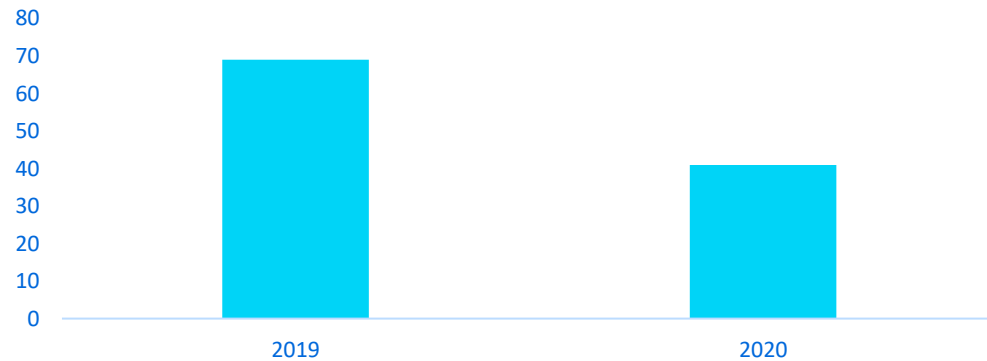
Imports into Ukraine from Hungary, Moldova, Poland, Slovakia in 2019 and 2020 (million cubic meters)



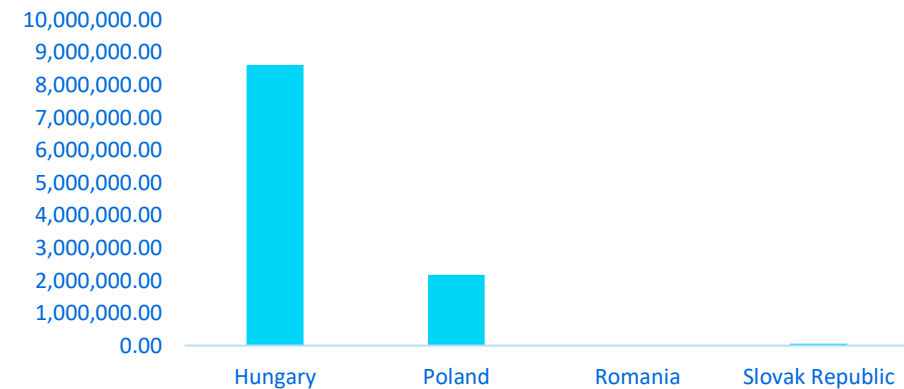
The share of short-haul in Ukraine's total central European imports in 2020



Russian transit volumes via Ukraine (in billion cubic meters)



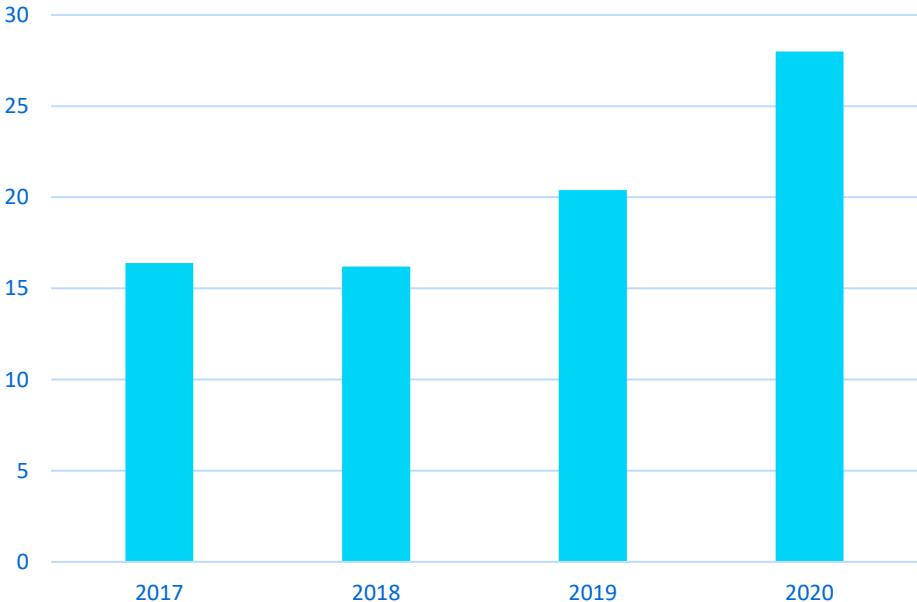
Exports from Ukraine to neighbouring countries in 2020



Ukraine becomes a relief valve for European gas markets in 2020



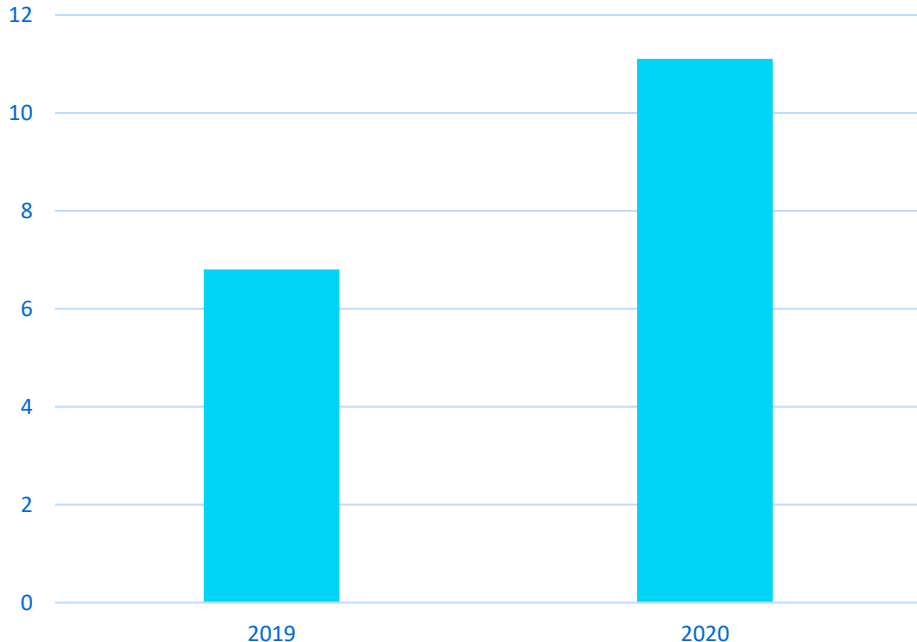
Natural gas stored in Ukrainian facilities (in billion cubic metres)



297%

**Increase in volumes stored
in customs warehouse
regime between 2017 -
2020**

Natural gas stored in customs warehouse regime (in billion cubic metres)



Number of non-resident companies storing gas in Ukraine

2018	7
2019	47
2020	79

Number of resident companies storing gas in Ukraine

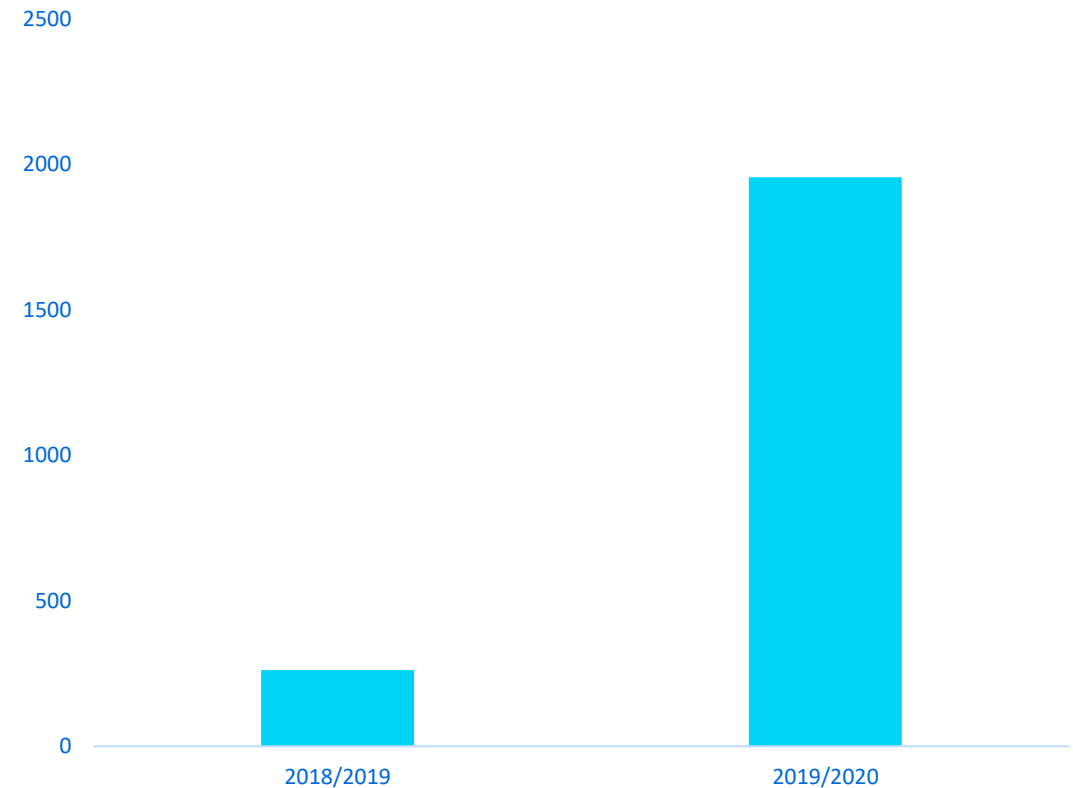
439
651
711

Ukrainian trading activity rises as gas prices start to correlate with European hubs

Evolution of Ukrainian VTP front month gas prices against the benchmark Dutch TTF hub (€/MWh)



Volumes traded on the Ukrainian gas exchange (UEEX) in million cubic metres



In sum...



"It must be considered that there is nothing more difficult to carry out, nor more doubtful of success, nor more dangerous to handle, than to initiate a new order of things. For the reformer has enemies in all those who profit from the old order and only lukewarm defenders in those who would profit from the new order."



N. Machiavelli, The Prince

- ✓ Thanks to market reform Ukraine became Europe's indisputable storage hub in 2020 as markets were facing suppressed demand linked to the pandemic and an underlying supply overhang
- ✓ Ukraine's reform progress is forcing neighbouring countries such as former Soviet stronghold, Moldova, to open up their borders to trade.
- ✓ Ukraine could help integrate central and eastern European markets and become a major transit route not only for Russian gas, but also for US LNG imported regionally
- ✓ Protecting Ukraine's gas market from political intrusion means guaranteeing a safe and fair playground for domestic, European, US companies





Thank you!