

Executive summary

This *Energy Investment Policy Review of Ukraine* is the fruit of a two-year inclusive work that was undertaken within the wider context of the OECD project *Supporting Energy Sector Reform in Ukraine*, which was launched in 2019 with the financial support of the Government of Norway. The work is carried out within the framework of the OECD *Memorandum of Understanding for Strengthening Co-operation with the Government of Ukraine*, which was signed in 2014 to support Ukraine in its efforts to carry out its reform agenda in line with international standards.

The *Review* assesses regulations and measures specifically affecting the sector and provides recommendations that can help Ukraine deliver on its sectoral objectives, which notably include ensuring energy security, and transitioning to a cleaner, more competitive, and more attractive energy sector. Along with efficiency, security, competitiveness, and integration with the EU energy community, attracting investment and further improving the country's institutional framework are key government priorities, as is evidenced by strategic documents such as "The Energy Strategy of Ukraine 2035", which was adopted by the government in 2017. In the aftermath of the Euromaidan revolution of 2013-2014, the Government of Ukraine has been seeking to improve the national energy sector's business environment by implementing a series of structural and institutional reforms.

On the one hand, Ukraine has taken important strides in providing adequate levels of investment protection in the energy sector and in general. Ukraine's investment legislation includes the principle of non-discrimination against foreign investment and general provisions on foreign investment protection. Efforts have also been made to create an open and transparent environment for foreign investment in the energy sector by adopting new laws reinforcing and simplifying the protection of businesses operating in the energy sector. To further encourage investment, Ukraine has also introduced significant reforms to modernise SOEs, improve transparency in public procurement, while opening the sector to private companies.

On the other hand, Ukraine's low score in several international rankings and the low trust levels of businesses in the judiciary are a cause of concern for both domestic and foreign investors. Despite substantial and structural reforms having been made to reduce corruption and mitigate its effects on the energy sector, corruption and favouritism remain widespread. According to a survey by the American Chamber of Ukraine on Ukraine's investment climate in September 2021, 93% of businesses stated that implementation of real and effective judicial reform, the rule of law, fair justice, and the eradication of corruption should be the government's primary objectives in order to deliver economic growth, improve the business climate, and attract investment. A strong judiciary is also lacking, which is essential for winning investors' trust not only in Ukraine's energy sector but also in the country overall.

The *Energy Investment Policy Review* also analyses Ukraine's track record in promoting responsible business conduct (RBC) in the energy sector. While Ukraine has been an Adherent to the OECD *Declaration on International Investment and Multinational Enterprises* since 2017, and has sought to create an enabling environment for RBC, further efforts are needed to enhance responsible conduct across energy sub-sectors and strengthen environmental, human and labour rights protection, anti-corruption measures, and transparency and disclosure practices.

Raising investment further requires a comprehensive and coherent policy package. This OECD *Energy Investment Policy Review* of Ukraine looks at challenges and opportunities for attracting more and better energy investment.



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