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30 May 2019

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Deputy Prime Minister of Ukraine  
Cabinet of Ministers of Ukraine  
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UKRAINE

by email: @kmu.gov.ua

Mr. Andriy Parubiy  
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Ms. Oksana Kryvenko  
Chairman  
National Energy and Utilities Regulatory Commission  
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Dear Deputy PM, Dear MP, Dear Madam,

**Electricity Market Liberalisation in Ukraine**

I write on the upcoming launch of a liberalised electricity market in Ukraine, but not before expressing my sincere condolences to those affected by the recent accident at the Lisova coal mine near Lviv, especially to the families of the two men who lost their lives.

EURACOAL fully supports market-based solutions in the energy sector. A free market in coal allows those who use this versatile commodity access to a truly international market. There are no monopoly suppliers or buyer cartels: everyone who needs coal can buy it at a fair price determined by the current balance between supply and demand. This balance can be disrupted, for example by the imposition of tariffs or quotas as seen in China, but such market interference rarely lasts as coal consumers object to the resulting higher prices.

In Europe, market-based solutions work at the other end of the coal business where the EU Emissions Trading System seeks out the least-cost solutions to reduce carbon emissions. Here again, we have seen some market interference from policymakers who opt to manipulate the market to the disadvantage of consumers who now face higher carbon prices than are needed to achieve the EU's politically agreed emission reduction targets.

When we look at the electricity market, it is the same story. A fair market is a liberalised market open to many players, including importers and exporters, who compete for business. The market balances at a price that reflects the true cost of supply. Designing such a market is not easy for electricity which, unlike other commodities, cannot be stored: electricity production and consumption must always be in balance.

To avoid cronyism, or state interventions that benefit the few at the expense of the many, requires a commitment to free-market principles in electricity market design. As Ukraine embarks on its own electricity market reforms, it follows in the footsteps of most other European countries who have implemented the EU's Third Energy Package. Mistakes made elsewhere do not need to be repeated in Ukraine. For example, protecting the poorest household consumers must be an objective – one that is best dealt with through good social policy. Support for renewable energy must be transparent, so that consumers are aware of the costs involved and politicians cannot hide from the consequences of their decisions. Most importantly, a competitive market which properly reflects the true cost of electricity supply allows investments to be made in the new power plants and other energy infrastructure that will all be needed for a cleaner, brighter future.

In this respect, Ukraine will shortly launch its own liberalised electricity market. EURACOAL congratulates everyone involved with the creation of this market and recognises that 1<sup>st</sup> July 2019 marks an important step in your country's progress.

Yours sincerely,

A handwritten signature in black ink that reads "Brian Ricketts". The signature is written in a cursive, flowing style.

Brian Ricketts  
Secretary-General