



**Danylova N.**

Phd student, National Taras Shevchenko university, Kiev  
The department of International economics

## **UKRAINIAN RENEWABLE ENERGY MARKET: SPECIFIC FEATURES AND STATE POLICY**

### **INTRODUCTION**

The cyclical trend of the crisis phenomena, strengthening globalization's invisible hand, accelerated internationalization cause the global economy transformations and require a new style of international economic relations. The problem of energy crisis for humanity today is becoming increasingly relevant. The main factors affecting the occurrence of this phenomenon are: shortage of natural energy sources, increasing oil and gas prices, the dependence of oil producing countries, the high cost budget for energy transportation, environmental pollution that causes climate change. Therefore, the decision of all the issues is very important for every country. [7] Furthermore, energy supply is one of the strategic sectors of the Ukrainian economy. Changes in management of energy policy causes of changing geopolitical trends and strategic objectives of Ukrainian neighbor countries, especially Russia. A pivotal role also play domestic energy problems that have not been solved for decades. Another case for change is total reformation of energy companies and markets. And the major problem is still an energy efficiency improvement in Ukraine. The management of energy policy can be also improved with increasing funds for energy problems solving and investment enhancement projects during the crisis.

The dynamics of economic and social development, including the energy market development and the importance of energy security of Ukraine are analyzed in researches of P. Kapyhin, V. Makarov, V. Pisarev, V. Burlaka, M. Zemlyanoy, I. Temnenko, O. Perfilova, O. Dykaryev, S. Aptekar, A. Dronova, E. Bobrov, Y. Budnychenko and many others. Recent trends in development and market prospects of alternative energy market are explored in

researches of such scientists as V. Geets, N. Simoniya, L. Grigoriev, A. Dynkin and others [6]. The analysis of the literature demonstrates that the scientists take a common stance towards the Ukrainian energy market and its prospects – the key role in economic stability plays the energy policy and Ukrainian energy independence, which can be achieved by reducing imports of oil and natural gas. Improving energy strategy, state regulation of the production of renewable energy and diversification of energy markets, the transition to alternative energy sources are also major issues for Ukrainian Government. Particular attention needs to be given to efficient energy strategy of Ukraine and the role of government regulation in the national market of alternative energy sources.

**DEVELOPMENT**

The energy market is a strategic sector for the national economy of Ukraine but there are some problems in the functioning: lack of natural gas and oil reserves, problems with diversification of energy sources transportation, hydro capacity usage, high human impacts on the environment, the poor condition of some energy facilities, including energy transportation systems and it is not a complete list of weaknesses of energy supply in Ukraine. Lack of governmental strategy in the energy sector led extension of competitive failure of internal energy market of Ukraine. Furthermore, market pricing mechanisms operates with government intervention.

The most positive transformation in energy sector of Ukraine today may be energy policy ‘reorientation’, based on solving problems by studying international experience in establishing effective mechanisms of state regulation of the energy sector. Energy market improving should be considered both from the perspective of economic efficiency as well as from the perspective of energy security. Other factor need to be considered is a dynamics of global trends of alternative energy sources usage. In the European Union, for example, there is Energy Department of European Commission that studies an effectiveness of each type of alternative energy sources (Table 1)

**Table 1**

**Types of alternative energy sources**

<b>Types of alternative energy sources include:</b>	Wind energy
	Solar energy
	Hydro energy
	Geothermal energy
	Biofuels

Both government agencies and entrepreneurs have a lack of experience to adjust state mechanism and achieve sustainable development of the alternative energy market. Therefore, the experience of developed countries and the European Union ought to be considered. [1]

The main factors affecting the domestic alternative energy market in Ukraine are a political, economic, natural and consumer behavior of industrial market agents.

1. **Political factors.** Price on imported oil and gas is set by the Government of Ukraine. That leads to growing energy dependence on energy-producing countries such as post-Soviet states. Without government support to producers is difficult to find

development costs, product development costs, modernization of production costs to be competitive in a global market. Moreover, the Ukrainian government does not apply any non-financial mechanisms to support producers of solar energy, for example, tax breaks or subsidies. There are also problems with legislation in Ukraine, particularly with the "green" tariff, which provides development of alternative energy sources market. Due to set of data barriers payback period of solar energy systems in Ukraine is 20 years, while in Europe the term is not longer than 4-5 years. [2]

2. **Economic factors.** The economic factors affecting the domestic alternative energy market are: unstable oil and gas prices, which tend to grow, the high cost of energy transporting, low solvency of the domestic market, low demand for alternative energy sources, low public awareness of this type of energy.

3. **Natural factors.** There is a lack of natural resources to cover energy demand in Ukraine. The problem of environmental pollution also leads to the alternative energy sources market development. [3]

Exploring the dynamics of renewable energy sources development in Ukraine, we can conclude that the country is more prepared as a producer not the consumer. The complex of political and legal, economic and social factors make consumer and industrial markets in Ukraine not ready to switch the alternative energy sources.

On the contrary, the EU renewable energy market looks promising. Analysis of the market entering factors concludes:

1. **Political risk and legal factors.** The legal framework in the EU member states in the field of alternative energy is formed, the European Parliament supports the market, there are clearly defined certification standards.

2. **Economic factors.** The main features for the EU market are growing prices for traditional energy sources, multimillion investments in renewable energy, significant market potential, the high gas and oil prices.

3. **Natural factors.** There are: lack of natural energy resources, environmental safety, favorable climatic conditions in the EU Member States.

4. **Scientific and technical factors.** The highly qualified specialists and innovations in the alternative energy sources sector are typical for EU members.[5]

The main objective of the European Union today is to achieve a 20% share of energy from renewable sources by 2020. In 2010, energy consumption from renewable energy sources was 12%, in 2011-th and 2012-th years, according to the program of the EU Government consumption increased by 2% a year. [4]

These achievements are interesting for Ukraine. The Cabinet of Ministers of Ukraine approved the "Energy Strategy 2030" in 2006, which aims to improve legislation. Therefore, regulation of this area is developing in two directions: reducing energy and development of renewable energy sources. Analyzing legal acts according to directive from the European Union the main objectives for Ukraine should be :

- create conditions for gradual increase of renewable energy usage;
- preferences for renewable energy resource base development;
- improve energy efficiency and reliability of energy supply;
- financial, legal and organizational incentives for renewable energy sources technologies usage in the social, transport, building and other sectors;
- organizational, legal and financial support to the industrial and domestic waste

management industry;

- non-discriminatory conditions for producing of energy from various renewable sources.

Experience of Central Europe countries should be result for changing of key principles of the energy sector legislation in Ukraine in such a way:

- monopoly → competition;
- governance → government regulation;
- central planning → liberalization;
- state ownership → private ownership.

Differences in operation and the legal regulation should be considered when adapting national legislation for various segments of the energy sector, as well as existing features of taxation, finance, corporate governance, environmental protection etc.

### **CONCLUSIONS AND RECOMMENDATIONS FOR FURTHER RESEARCH**

To enhance the comprehensive development of the sector of alternative energy sources it is necessary to implement effective public policies that will allow Ukraine to reduce the production of energy from natural energy, increase energy production, reduce greenhouse gas emissions, increase technological improvements in production, to create opportunities for economic growth through innovation and sustainable competitive energy policy will create a framework for strengthening international relations by exporting alternative energy, improve the social cohesion and employment opportunities for the population, in particular, will provide legal protection for independent producers of energy, reduce our dependence on energy imports.

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