UKRAINIAN ENERGY EXCHANGE

УКРАЇНСЬКА ЕНЕРГЕТИЧНА БІРЖА

MANAGEMENT STRATEGY

LLC UKRAINIAN ENERGY EXCHANGE

till 2030



2030

Kyiv – 2022

INTRODUCTION

Ukrainian Energy Exchange LLC (hereinafter referred to as UEEX, Exchange), as an entity engaged in organizing commodity trading on commodity exchanges and clearing activities to determine obligations, develops a Management Strategy to ensure the integrity, transparency, predictability and stability of its activities. This UEEX Strategy was revised and adapted after the introduction of the martial law regime in Ukraine.

UEEX will ensure stable monitoring of compliance of parameters of Strategy and development of risk management mechanisms in case of noncompliance with Strategy, aiming stable economic development of Ukraine by building transparent, reliable and competitive Exchange markets according to strategic priorities of Ukraine`s development, Ukrainian energy and integration into EU markets with the possibility of strengthening Ukraine's energy security. Understanding the determining role of the Ukrainian organized commodity markets to ensure the competitiveness of the formation of transparent prices, risk reduction, and transaction costs of producers, traders, and end consumers, UEEX looking for providing a reliable market trading and clearing infrastructure to protect integrity, increase trading and settlement efficiency, and deepen market liquidity.

Exchange continues fruitfull cooperation with state authorities and regulators, since, among other things, strives to be an effective tool for them in building a competitive market, ensuring transparency, overcoming corruption and increasing the economic performance of enterprises in the industry.

UEEX strives to remain the leading exchange in Ukraine, which has concentrated high liquidity, is identified with and personifies the concept of the energy market in Ukraine. In the medium-term perspective (up to 10 years), UEEX is a national leader, driver and architect of the development of the organized commodity market and a provider of settlements under agreements.

Taking into account the needs of participants, UEEX will continue to develop Ukrainian commodity and energy markets as a result of the liberalization process, attract the interest of international participants and integrate Ukrainian markets with international organized commodity markets based on the best international practices and innovative technologies.

UEEX clearly demonstrates how the best international experience and world practices can be embodied in Ukrainian realities for the purpose of building competitive markets, detinization of the economy, formation of national benchmarks and bringing trade relations to the international arena.

Exchange Commitee
LLC UEEX

EXTERNAL CONTEXT OF STRATEGIC GOALS FORMATION

UEEX forms its strategy based on the hierarchical model of the environment, while the external environment and the task environment have a decisive influence on the possibility of achieving strategic goals. UEEX`s strategy is based on the following assumptions. The main challenge will be to ensure compliance of activities with European integration processes in the state, overcoming crisis phenomena in the markets, post-war recovery with simultaneous implementation of integration with the EU markets.

POLICY

1. Ukraine will start the negotiation process for acquiring the status of a Member of the EU after the introduction of seven blocks of necessary reforms. In order to reboot the Ukrainian economy, the government will implement a number of measures to strengthen investors' confidence in the rule of law, adopt legislation in accordance with the acquis and carry out reforms necessary to bring Ukraine's economy closer to the EU, as well as remove regulatory and bureaucratic obstacles to investments.
2. The measures of "manual" market regulation will be temporary, the market model of the reformed energy markets will be preserved, and the achieved results of liberalization will be continued in the post-war period.
3. Transparency of resource allocation processes, including trade will be a primary factor.
4. Focusing on energy independence strategies with an emphasis on the development of a low-carbon economy. Introduction of CBAM and Ukraine's commitment to abandon coal generation by 2035.

ECONOMY

1. The recovery of Ukraine will determine not only the distribution of state aid, but also the revival of the private sector.
2. Ukraine's economy will again become decentralized, the state will not promote the creation of monopolies and will not apply a discriminatory policy of regulation depending on the forms of ownership of enterprises.
3. Restrictions on the circulation of currency and certain goods, as well as regulation of pricing, may be applied.
4. In the energy sector, cross-subsidy models and PSO mechanisms may persist for some time.
5. Some energy infrastructure facilities (oil refineries, power plants) will be restored gradually.
6. Increase in prices for primary energy resources (natural gas, coal, oil). Exchange rate fluctuations.
7. The cross-border capacity of the networks remains at the current level.
8. Renewable energy sources will occupy an important place in the energy balance of Ukraine.

SOCIETY

1. For some time, social tension will remain due to the risks of a recurrence of hostilities, which will require a stronger system of trade guarantees and a strategy for attracting and retaining employees.
2. The need to save working capital will not contribute much to participation in guaranteed settlements of organized markets.
3. The outflow of valuable personnel abroad due to a difficult economic situation.
4. Aiming at reducing the cost of the resource due to the reduction of intermediaries in the supply chain.
5. Low acceptability of the minimum level of risk in trade transactions, the desire to maintain constant bilateral relations between counterparties.

TECHNOLOGY

1. The leading exchange high-tech markets continue to develop and can potentially enter the Ukrainian market.
2. Large Ukrainian companies began to participate in international exchange markets.
3. National regulation of exchange trading and activity of wholesale energy markets will require the presence of automated mechanisms for reporting, control and prevention of manipulations.
4. The functioning of the unified energy markets will require unified trading and post-trading technologies.

INTERMEDIATE CONTEXT OF STRATEGIC GOALS FORMATION

FACROTS GROUP	FACTORS		MANIFESTATION OF THE FACTOR	IMPACT ON THE ENTERPRISE	COMPANY'S POSSIBLE REACTION
Consumers	1.1. Natural gas market		A drop in consumption, a ban on exports, state not regulating prices for a significant segment of the market, monopolization of the market by one entity, reduction of supply chain to the "producer-consumer" in conditions of limited supply and demand.	One supplier, which is also a monopoly manufacturer, the largest seller and merchant at the same time, dictates trading conditions on the market and sets the price policy	The Government should introduce the Gas Release Program (hereinafter - GRP) for the implementation of of the recommendations of the Secretariat of the Energy Community, USAID and in order to implement memorandum of the IMF with Ukraine regarding GRP in relation to JSC "Ukrgazvydobuvannya in the amount of 40% of commercial gas production. Any purchases of gas for the population, and which involve external compensations or allocations, must take place in a transparent competitive manner and at market prices. The exchange can offer gas purchase services from producers on the exchange. Launch of trade in alternative fuels. Development of trade in PSG, including in a customs warehouse with the participation of non-residents who will store gas in Ukraine. Launch of the retail segment of the market with a limited minimum volume and foreign trade with a transfer point at the border
	1.2. Electricity market		Falling consumption, limiting the amount of traders	Reduction of trade volumes	Development of the secondary market (commercial section) due to the provision of additional services (clearing services, access to analytical modules). Launching the possibility of cross-border electricity trade (import/export) through UEEX electronic auctions.
	1.3. Oil and oal products market		Destruction of processing industry	Lack of trade in ready oil products of domestic production	Establishment of a centralized system of procurement of imported products after the end of hostilities
	1.4. Promising markets	Guarrantees of origion	Not creating a registry of origin, low interest within the country, export restrictions due to the requirements of Article 19(11) RED II for third countries	Low liquidity at auctions of guarantees of origin, difficulty with launching trade in green electricity and biomethane	Joining international groups and missions to find investors in RES (buyers). Active participation in the process of supporting the establishment of registers of guarantees of origin and their recognition at the EU level
		Solid and liquid biofuel, biomethane	The initial stage of forming a segment of participants	Low awareness of potential participants about opportunities and mechanisms for setting up trading	Conducting information and training campaigns to attract participants. Supporting the creation of a regulatory environment for the development of an alternative fuels market
Suppliers	2.1. Developers and suppliers of trading and clearing systems, reporting and monitoring systems		The EU uses several leading algorithms that are adapted to the EU requirements and have limited functionality in the Ukrainian market. Access to PCR algorithms is possible only for nominated electricity market participants	Use of international software solutions require a lot of time for their adaptation for the Ukrainian market, the regulation of which is constantly changing, which will require new revisions	Use standard foreign developments for foreign trade, ensure internal trade with individual solutions of diversified developers
Competitors	3.1. Internal		Manifestations of unfair competition from unlicensed, non-exchange platforms. Large market participants creating their own platforms. Discrediting exchange trading through unfair actions of competitive exchanges	Customer churn to enabling mechanisms manifestations of non-competitive relations and imitation market mechanisms. Misleading the market by broadcasting misleading market signals	Publication of recorded abuses. Increase the transparency of own operations and the level of social responsibility. Promotion and dissemination of information about advantages of the Exchange
	3.2. External		By connecting markets, Ukrainian participants can trade in adjacent markets. Opening representative offices in Ukraine	Export-import operations with border zones can be localized only on one of the domestic exchanges. The opening of foreign representative offices of the exchanges will lead to the laundering of capital abroad	Cooperation with exchanges of neighboring European countries
Partners	4.1. Створення механізму єдиного клірингу в рамках проекту SEEGAS		Developing a common post-trade structure for the regional energy market in South and Eastern Europe	Regional integration of organized energy technical markets by creating an interconnection between the post-trade infrastructures of local exchanges, which will facilitate the energy transition, focusing on trading low-carbon energy	Studying the possibilities of cooperation and introducing unified solutions for the future unification of markets
	4.2. Cooperation with other international donors		Open projects aimed at development organized markets and transparency procedures and reporting	Improvement of trade, post-trade services, information services, reporting and others opportunities of the Exchange	Development of the wholesale electricity and gas market, standardized products, best practices in trading, post-trading (clearing and settlements) and reporting (REMIT), promotion of national national commodity benchmarks through cooperation with the world's leading price agencies

INTERNAL CONTEXT OF THE FORMATION OF STRATEGIC GOALS

GENERAL STATUS

- the image of an industry leader with advanced technologies and with clearly defined goals of building a powerful European-style exchange market in Ukraine;
- a personal main contribution to the creation of an organized commodity market in Ukraine, an active participant in the development of a regulatory and legal framework for the development and improvement of markets;
- extensive experience of successful activity on the exchange market;
- competitive advantages based on advanced technologies, own developments, strong relations with external suppliers and stakeholders, a powerful staff of the best specialists in the industry;
- private form of ownership provides a high level of financial flexibility;
- high level of diversification of markets and wide adaptability of systems and processes for trading any products on different markets;
- thousands of involved customers and built trusting relationships with them thanks to better customer service, a diverse portfolio of products and solutions;
- high transparency of activities, involvement of external independent observers from the authorities and international organizations in the decision management process;
- Involvement of market participants and interested authorities in the process of activity coordination through a built-in consultation system;
- UEEX quotations are a recognized price reference for the market;
- support of the international community, as an exchange that is able to ensure the implementation of European requirements for the organization of competitive exchange trading in Ukraine;
- member of the Association of European Energy Exchanges (Europex) and a number of international and national ones, including industry associations;
- zero tolerance for corruption.

MARKETING

- high indicators of the concentration of liquidity of energy resources, indicators of the market share of the pre-war period are recorded as minimally irreducible;
- identified promising markets for expansion of activities for the next 10 years;
- UEEX is authorized by the CMU to conduct auctions for the sale of electricity under bilateral contracts (operator of the market of bilateral contracts);
- Operator of the Trading Platform for trading short-term standardized products on the natural gas market, including for the purpose of balancing in accordance with the EU Regulation No. 312 and the GTS Code of Ukraine;
- NEURC agreed to use UEEX indicators for calculating fees for gas imbalances in accordance with Clause 9 of Chapter 6 of Chapter XIV of the GTS Code;
- extensive network of information, communications and continuous customer support;
- own PR, GR and public relations service. Constant information monitoring with prompt response and maintaining a constant percentage of presence in the media space;
- a high level of marketing-mix development (market-oriented in-demand products and image products (green energy, government projects), at prices based on the strategy of price leadership, distributed through channels of regulatory obligation or following the leader, available from any point of the world);
- the presence in the basket of the main income-generating products and a wide range of related products that do not create additional operating costs. The percentage of image products does not exceed 5%;
- additional related services for the client (free access to analytics, creation of analytical reports and exchange information, educational programs and trainings, consulting support);
- involvement of exchange specialists in participation in target groups for regulatory support of market development in order to improve the conditions for the formation of a competitive market while ensuring the interests of the state and participants.

SERVICES

- maximum transparency, non-discrimination, objectivity and impartiality, prevention of corruption and abuse in the conduct of business;
- constant monitoring, testing and assessment of the quality of service, consulting support and the level of client satisfaction;
- forecasting and prompt response to changes in market regulation and functioning. Quick reformatting of business processes according to needs;
- clear compliance with the norms of internal legislation, taking into account the prospects of its adaptation in accordance with the acquis;
- targeting the standardization of services in different market segments. A modality that allows rapid regrouping for diversified processes;
- equal standards of service quality and approaches to different groups of consumers;
- constant updating of software and hardware complexes with a focus on the highest standards of data protection and resistance to external attacks;
- documentary evidence of ensuring high quality standards.

FINANCE

- compliance with prudential standards of professional activity on capital markets and organized commodity markets;
- focusing on investing in business expansion and technological developments;
- non-rigid monitoring of the budget for the possibility of prompt response.

ORGANIZATION AND MANAGEMENT

- entrepreneurial orientation and policy of conducting business is aimed at obtaining profit, subject to meeting the needs of the state (including increasing the investment attractiveness of Ukraine) and market participants;
- units of strategic development of the Exchange, promotion on domestic and foreign markets, legal support, analytical forecasting and planning, IT and development, operational support of activities were created;
- a high degree of established informational interaction of employees and informing them about the plans and actions of the Exchange. A high degree of autonomy is ensured for certain diversified directions;
- centralized management apparatus, operational functions are decentralized. Duties, functions, responsibilities and the order of interaction of employees are approved by internal labor regulations.

PERSONNEL AND ORGANIZATIONAL CULTURE

- people are the key driving force of the Exchange's development and the main source of competitive advantage;
- in view of the limited number of field specialists on the market, considerable attention is paid to the process of retention and effective use of highly qualified personnel;
- mandatory continuous training and professional development of personnel;
- labor discipline and morals are based on the assertion that every UEEX employee is an equal part of one big family, where everyone works with an understanding of a common goal and good; there are no "earners" in the family, there is care, responsibility and self-identification in the family, as an integral mechanism of a single system.

VISION

Ukrainian Energy Exchange is organized commodity market of Ukraine operator, which ensures liquidity, transparency and fairness in pricing, has integrated national and international markets into a single trading space with guarantees of execution and risk diversification, has the full trust of society and international partners.

MISSION

Building a reliable, transparent and efficient organized commodity market in Ukraine integrated with the organized markets of the EU in order to maximize common welfare and strengthen energy security and independence.

VALUES

Transparency

Ensure access to transparent markets and trade security through the supervision of EU-compliant standards, publication of market information, and clearing services.

Partnership

Maintaining an ongoing dialogue with market participants, authorities, regulators, and international organizations for cooperation, exchange of experience and knowledge to ensure sustainable economic development.

Professionality

Maintaining position of the leading Exchange in terms of liquidity and the level of services provided, due to expertise, professionalism of employees, technologies, the better client`s service and variety of portfolio of products and decisions.

Progress

The fundamental transformation of Ukraine will be secured through the effective work of everyone. By attracting the best advanced technologies, expertise and partners, UEEX creates the basis - an innovative arena for business development in Ukraine, strengthening the economy and reviving the state.

Patriotism

To support government policies aimed at liberalizing markets, improving energy security, and increasing the investment attractiveness of the economy by creating a reliable market infrastructure and developing it in line with EU standards.

UKRAINIAN ENERGY EXCHANGE`S STRATEGY

UEEX Strategy until 2030 defines the main areas of activity and sets the course for the sustainable development of the exchange market. The progress of the Strategy will be regularly evaluated.

By implementing this Strategy, UEEX wants to make a positive contribution to the achievement of the Recovery Plan of Ukraine. Today, as never before, it is important to demonstrate to foreign partners our unequivocal readiness to follow European open and transparent rules of market construction and operation.

UEEX's Strategy defines a number of managed priorities. Their observance is necessary to create an efficient and stable ecosystem of an organized commodity market and ensuring the settlement of accounts on it. By implementing its strategy, UEEX demonstrates a sustained interest and readiness to take leadership in building communities and coalitions of advocates for economic efficiency and trade de-shadowing, green transition and energy independence. Transparent and competitive markets will contribute to better customer service and fair market pricing.

UEEX Strategy has five main directions and is a roadmap for their implementation. The directions of the Strategy are revealed by the strategic goals and relate to the development of the UEEX's role in the Ukrainian economy, as well as the transformation of the Exchange's internal environment.

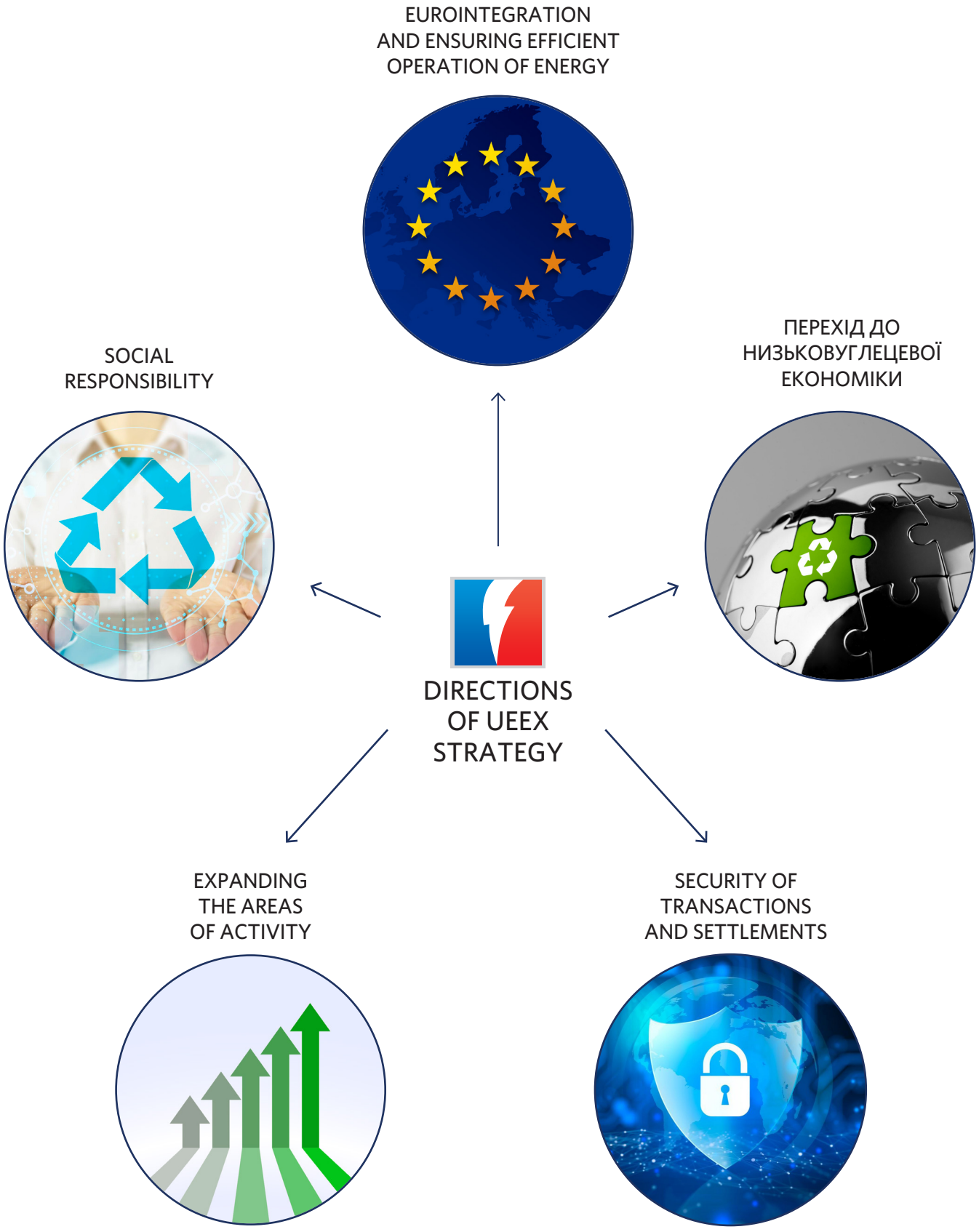
KEY RISKS THAT MAY ADVERSELY AFFECT THE IMPLEMENTATION OF UEEX`S STRATEGY

- deterioration of cooperation with international partners and failure to fulfill the conditions for maintaining the status of an EU candidate;
- curtailment of reforms in Ukraine, including market liberalization and transition to centralized economic management;
- deepening monopolization of markets, regulation of prices and the order of resource allocation;
- uncompetitive business conditions by creating artificial preferences for other (including state-owned) companies;
- lack of investment and investor interest in rebuilding lost energy and transport infrastructure, supporting of economy decarbonization projects, and expanding the capacity of cross-border crossings;
- failure to eliminate regulatory, bureaucratic and other obstacles and barriers to free access of foreign traders to the Ukrainian market;
- failure to eliminate gaps in tax and other legislation that complicate clearing activities in Ukraine;
- unfavorable business climate and macrofinancial instability;
- Reduced level of constructive and active interaction with government agencies and institutions, regulators, and the market;
- increased social tension, suspension of internal development in the organization, significant personnel changes.

MARKERS OF COMPLIANCE WITH THE PARAMETERS OF UEEX STRATEGY:

- liberalized competitive mode of market functioning is preserved.
- UEEX exchange market is integrated with EU markets for free cross-border trade.
- minimum amount of energy resources traded on UEEX (natural gas, liquefied gas, oil products, oil, coal, biofuels) is 15% of domestic consumption.
- Information on the structure and prices of the exchange market is relevant and transparent to the public. Authorities and regulators are provided with all the necessary information to make management decisions on market regulation.
- Integrity and transparency are ensured in the wholesale energy markets, and prices are set competitively.
- Exchange is resistant to cyber threats.
- Most exchange-traded products are standardized.
- majority of exchange transactions are executed through the Exchange's clearing mechanism.
- Exchange has implemented new directions: decarbonization (green direction) and agricultural.
- Completed the process of digital transformation of operations.
- Corporate citizenship, government and business support.
- Staff involvement by different generations (X, Y, Z) is supported to synergize experience and progressive solutions, a high level of employee qualifications, decent salaries, and gender equality are ensured.

DIRECTIONS OF UEEX STRATEGY



ROADMAP FOR STRATEGY IMPLEMENTATION

1. EUROPEAN INTEGRATION AND ENSURING EFFICIENT OPERATION OF ENERGY MARKETS

AIM 1. Introduction of cross-border exchange trade in natural gas and electricity. Interconnection (unification) into a single EU gas and electricity exchange market

WAYS OF IMPLEMENTATION:

- Opening of trade routes with a transfer point at the border (initial stage)
- Ensuring free access to transmission capacity at pan-European auctions. Synchronization of exchange information with capacity access parameters
- Amendments to the legislation regarding the participation of non-residents in the market and to the Tax Code regarding the taxation of transactions in interconnected networks
- Strategic cooperation with operators of EU exchange markets
- Ensuring a competitive model of a nominated market operator in Ukraine
- Fulfillment of SEEGAS project goals

AIM 2. Standardization of exchange-traded commodities, trading and clearing mechanisms, unification according to EU standards

WAYS OF IMPLEMENTATION:

- Cooperation with USAID and the European Federation of Energy Traders to standardize contracts
- Standardization of products in accordance with EU standards and requirements
- Expanding the product line in all areas of trading, including the introduction of a derivatives market (commodity and financial)
- Ensuring comparability of price indices
- Improvement of clearing mechanisms, approximation to the European clearing and settlement model

AIM 3. Implementation of mechanisms to ensure integrity and transparency in the wholesale energy market

WAYS OF IMPLEMENTATION:

- Regulators agree on specific criteria for price volatility in different market segments, continuously monitor the adequacy and improve the system of countering manipulation
- Implementation of REMIT reporting as a RPAT and RRM
- Improving the reporting mechanism to the NEURC
- Improving the transparency of exchange sector: increasing the amount of information published about the sector in a convenient and accessible format, meeting all legal requirements and public expectations of transparency

AIM 4. Increasing competition on the UEEX exchange market

WAYS OF IMPLEMENTATION:

- Increasing their value to the client: helping to improve the efficiency of their business and the responsiveness of the government to market demands
- Involvement of non-resident companies in bidding
- Introduce government programs aimed at creating and maintaining liquidity in organized markets
- Loyal tariff policy
- Digitalization and optimization (simplification) of organizational processes in customer relations
- Launch of a separate department for attracting, supporting and maintaining work with clients

AIM 5. Creating a gas hub in Ukraine on the basis of UEEX

WAYS OF IMPLEMENTATION:

- Gas Release Program implementation
- Improving the mechanism of gas trade in customs warehouses and attracting non-residents
- Transferring the gas transmission point to the eastern border and launching trade with the transmission point at the border

AIM 6. Formation of indices of Ukrainian prices for commodities recognized for use outside the country

WAYS OF IMPLEMENTATION:

- Developing a methodology for a national price index for natural gas and electricity
- Introduction of price indices for other exchange-traded goods through their standardization
- Systematization of exchange information and automation of access terminals
- Ensuring the publication of the Exchange indices on international pricing platforms

2. TRANSITION TO A LOW-CARBON ECONOMY

AIM 1. Launch of trade in biogas and biomethanol/ biodiesel

WAYS OF IMPLEMENTATION:

- Redesign of networks by GDS operators, with their ringing and connection of additional consumers to the relevant GDS to increase the capacity of biomethane supply to the network
- Implementation of the Government's Concept aimed at achieving a climate-neutral economy (Ukraine Green Deal).
- Export trading in the EU using the national register of biomethane production and consumption
- Diversification of the Ukrainian motor fuels market and quotas for % of renewable liquid biofuels in consumption
- Implementation of financial and other types of incentives for the production and consumption of renewable gases in Ukraine

AIM 2. Launch of solid biofuels and agrobiomass market

WAYS OF IMPLEMENTATION:

- Adoption of the Law on Amendments to Certain Legislative Acts of Ukraine on the Development of Electronic Trade in Alternative Fuels
- Winning the tender for an electronic trading system operator
- Standardizing product quality and building a delivery control mechanism
- Determining and establishing a list of agrobiomass to be used for heating at CHP
- Formation of a base of consumers and producers, their involvement in exchange trading

AIM 3. Launch of trading in corporate PPAs and CFDs

WAYS OF IMPLEMENTATION:

- Enabling producers of electricity from alternative sources to conclude contracts on the Exchange for the provision of services to ensure the stability of electricity prices for which delivery is not mandatory (including the CfD model of RES operation on market conditions with financial risk insurance)
- Determination of energy products in respect of which price difference contracts will be traded
- Opening the market for corporate PPAs as a mechanism to support RES producers

AIM 4. Launch of trade in guarantees of origin

WAYS OF IMPLEMENTATION:

- Development of primary and secondary legislation, launch of registers of guarantees of origin of biomethane and electricity
- Mutual recognition of guarantees of origin with EU countries
- AIB membership and creation establishment of a regional hub for trade in certificates at the level of the Energy Community
- In order to reduce the burden of the CBAM at the expense of GOs, the European Commission should adopt amendments to the implementation of the CBAM mechanism, which would define the emissions covered by the CBAM (Full carbon footprint and Scope of emissions) and approaches to their calculation using GO for indirect emissions. For direct emissions, the calculation should follow the principles of the EU ETS calculation rules, for indirect emissions, the approach may be based on the PEF rules
- Acquiring the right to trade in guarantees

AIM 5. Launch of the emissions trading system

WAYS OF IMPLEMENTATION:

- Implementation of carbon pricing instruments based on international experience and modeling results of their impact on the economy (including an increase in the carbon tax and its revision after the launch of the ETS; introduction of the second HBB to increase the ambitious goals to the level of the CHBP)
- Implementation of procedures and requirements for monitoring, reporting and verification (MRV) of greenhouse gas emissions
- Adoption of ETS regulations, including the Law of Ukraine "On the Functioning of the ETS" and relevant bylaws
- Creating a register of greenhouse gas emitters and launching an ETS secondary market on the basis of the UEEX

AIM 6. Reduction of coal trading volumes

WAYS OF IMPLEMENTATION:

- Eliminating state subsidies for the production and use of fossil fuels helps create a level playing field for the development of low-carbon technologies
- Closing the coal trading section of the Exchange as the country reduces the use of fossil fuels and replaces them with low-carbon energy sources

3. SECURITY OF AGREEMENTS AND SETTLEMENTS

AIM 1. Introduce mechanisms to control the execution of contracts and deliveries

WAYS OF IMPLEMENTATION:

- Tracking the conclusion of purchase and sale agreements on the basis of exchange certificates and as a result of exchange trading
- Control of payment and delivery of exchange-traded goods
- Control over changes to the terms of the exchange agreement - additional agreements, etc.

AIM 2. Development of alternative mechanisms for payments guaranteeing

WAYS OF IMPLEMENTATION:

- Guarantee of settlements with both full and partial preliminary reserve of assets, development of hedging instruments
- Guarantee of settlements with both full and partial preliminary provisioning of assets, development of hedging instruments
- Improving the risk management system to achieve an optimal and flexible model for guaranteeing settlements (margining system, default management procedures, etc.)

AIM 3. Introduction of facilitated clearing of exchange transactions

WAYS OF IMPLEMENTATION:

- Improving the settlement and clearing infrastructure of organized commodity markets, including through the development and effective cooperation of clearing, settlement, exchange and depository infrastructure
- Exchange provides accounting of rights and obligations, as well as control over the execution of transactions without being a counterparty to the transaction. MiFID II and EMIR requirements do not apply

AIM 4. Clearing activities of the central counterparty

WAYS OF IMPLEMENTATION:

- Establishment of a separate legal entity to provide central counterparty services in organized commodity markets - licensing of professional activities in capital markets - clearing activities of the central counterparty

4. 4. EXPANSION OF ACTIVITIES AREAS

AIM 1. Providing wider opportunities in the natural gas market

WAYS OF IMPLEMENTATION:

- Launch of a retail market with the possibility of gas purchases by large industrial consumers
- Launching gas exchange contracts on adjacent markets (swaps) to overcome capacity constraints of certain sections
- Introduce capacity trading in the secondary redistribution market to allow for adjustments in distributed capacity

AIM 2. Launch of a reporting system as part of the system to prevent manipulation, increase transparency, controllability and forecasting of Ukraine's strategic markets

WAYS OF IMPLEMENTATION:

- Synergistic work with public authorities to provide tools that will help overcome price manipulation in certain markets, ensure their effective coordination and management by controlling full cycles of commodity turnover

AIM 3. Development of exchange trade in agricultural commodities and agricultural products

WAYS OF IMPLEMENTATION:

- Development and improvement of primary and secondary sectoral legislation
- Launch of the exchange market for grain and energy crops
- Launch of the exchange market for raw milk, sugar and oil
- Launch of the exchange market for biogas raw materials

AIM 4. Development of new trade areas

WAYS OF IMPLEMENTATION:

- Development of the exchange market for iron ore pellets and rolled metal products
- Development of heat and energy auctions

5. SOCIAL RESPONSIBILITY

AIM 1. Highly organized HR management system

WAYS OF IMPLEMENTATION:

- All employees are provided with comfortable working conditions, a friendly and inclusive workplace
- Special attention is paid to the development of key staff competencies, experience is shared, and innovative ideas are encouraged to be implemented
- Implement solutions to support educational ambitions and retain key employees
- Continuous assessment of the quality of staff knowledge and skills and job satisfaction
- Strengthening the UEEX brand as an employer
- Clearly define the corporate culture and corporate values and the staff incentive system to maximize the effectiveness of staff engagement
- Determining the list of key employees, creating a personnel reserve

AIM 2. Improving operational efficiency

WAYS OF IMPLEMENTATION:

- Unification of corporate procedures, optimization of work processes, improvement of approaches to planning, management and control
- Increase the level of employee engagement in the key employee scheme
- Improving employee performance, attracting young people and experienced industry experts
- Establishment of an educational center within the organization to improve the skills of staff and market participants, contributing to the creation of a professional community in the energy sector
- Automation, improvement of quality and availability of UEEX services
- Ensuring the highest level of information protection and cybersecurity

AIM 3. Partnership and communication with stakeholders

WAYS OF IMPLEMENTATION:

- Activities exclusively in the interests of the state, business and the public, with the targeted focus on creating the ultimate good (benefit to the public)
- Maintaining an effective system of relations with stakeholders (market participants, government authorities, regulators), creating and implementing joint strategies and programs, and deepening closer contacts
- Improving the communication interaction of the Section Council, holding meetings on a regular basis, developing an information hub for professional market participants
- Expanding relations with international partners
- Development of quality communication and expansion of Advisory Board
- Prioritize maintaining equidistance and ensuring the equality of stakeholders' interests

AIM 4. Effective corporate management

WAYS OF IMPLEMENTATION:

- Completion of corporate governance reform in line with OECD standards
- Involvement of strategic partners to build trust in the Exchange and raise standards of professional competence
- Developing an ESG (environmental, social, governance) management structure at UEEX and providing ESG training for employees
- Measures of GRI (Global Reporting Initiative) standards for corporate governance, ESG management (European Standards and Guidelines), ethics and anti-corruption management

RISK MANAGEMENT MECHANISMS IN CASE OF DEVIATION FROM THE STRATEGY

EUROPEAN INTEGRATION AND ENSURING THE EFFICIENT OPERATION OF ENERGY MARKETS

RISK, REASONS FOR OCCURRENCE	MEASURES TO MINIMIZE THE IMPACT
Failure to remove regulatory barriers to free participation of non-residents in the market	Opening separate sections for trade in local products with a transfer point at the border
Barriers to expanding capacity market opportunities	Finding ways to integrate with the TSO to exchange information on the acquired capacity of a participant to limit the tolerance of its positions
Failure to implement its own effective clearing mechanisms	Cooperation with international exchanges and CCP to attract them to the Ukrainian market for a joint clearing project
Choosing a monopoly market model and the inability of the nominated market operator to ensure market coupling	The regulator has the right to hold an extraordinary tender to select another operator. Cooperation with leading NEMOs as strategic partners
Market reluctance to introduce standardization or non-compliance with EU standards	Enlist the support of international partners, in particular EFET, work with authorities to regulate the issue (where possible) and work with market participants through the Section Council
Delaying the implementation of transparency and reporting mechanisms	The exchange carries out similar reporting to the NSSMC, has signed memorandums of information exchange with the NEURC and the Ministry of Energy, and interacts with law enforcement agencies. This way, a unified procedure for using data to prevent manipulation and detect violations can be agreed upon, which will simplify the work of all participants
Limited demand for the UEEX services as as RRM due to high competition	Acquisition of a best practice reporting system that is already operating in the EU market and will be verified after Ukraine's accession to the EU to enable direct reporting to ACER. Promote high requirements for software, comprehensive services and additional benefits for reporting participants (e.g. access to analytics)
Failure to achieve the forecasted market volume and liquidity level	Finding ways to ensure government support for the development of competitive, organized and transparent markets
Continuation and strengthening of PSO programs and industry administration, decline in national gas production	Development of alternative products to fill exchange liquidity, such as commodity derivatives to hedge risks, legislative regulation of the procedure for imports (purchases) through the exchange mechanism, following the example of the EU's single procurement platform (the Joint Gas Purchase Mechanism applies to the Energy Community countries). Stimulating the use of GRP mechanisms in the implementation of PSO to prevent monopolization by one supplier
Non-implementation of GRP and prevalence of direct bilateral trade	Working with European partners and donors, promoting transparency mechanisms, including when using donor funds
Irrelevance, instability of Ukrainian price indices of the UEEX	Expert confirmation of the methodology for calculating indices, analytical work to identify factors influencing indices, and the introduction of price instability criteria and price corridors. Expanding the regulator's powers to assess prices and indicators

TRANSITION TO A LOW-CARBON ECONOMY

RISK, REASONS FOR OCCURRENCE	MEASURES TO MINIMIZE THE IMPACT
Lack of interest of producers in the construction of biogas plants	Promote the introduction of programs to support producers, including through the provision of benefits and loans
Technical failure of biomethane supply to the main network	Introduction of regional trade with a transmission point in the GDS and gas exchange contracts in the GTS
Lack of interest of producers in the production of solid biofuels that meet the requirements of the law	Work with relevant ministries and stakeholders to regulate the obligation to optimize waste-free production
Low investor interest in purchasing PPAs and price stability agreements	Synergistic work to promote the elimination of barriers to cross-border trade in guarantees of origin
Impossibility to launch contracts for difference due to the lack of price benchmarks	Creation of own price indices, as envisaged by this Strategy
Administrative designation of a single platform with the right to trade in guarantees of origin	Appeal against a violation of competition law with a requirement to either conduct a competitive selection or grant equal rights to operate in the segment to all operators of an organized commodity market
Lack of demand for guarantees of origin	Amendments to RED II Article 19(11) to add third countries or to encourage Ukraine to conclude a separate EU treaty to enable cross-border trade. Support for changes to the separate CBA mechanism, which will allow part of the emissions to be covered by guarantees of origin
Lack of demand on the secondary ETS market	Prevented by the adoption of CBAM and/or increased ambitions for allowable emissions

SECURITY OF TRANSACTIONS

RISK, CAUSES OF OCCURRENCE	MEASURES TO MINIMIZE THE IMPACT
Lack of financial capacity of market participants in the preliminary deposit	Development of alternative mechanisms to guarantee fulfillment of obligations without the need to block financial resources
Market participants' need for a more flexible mechanism of trade execution options	Retention of trading areas that provide for the direct fulfillment of obligations between the parties
Lack of economic justification for the payback of the project to involve clearing systems	This is solved by expanding the exchange's cleared markets. Participation in joint projects, including inter-exchange projects involving international organizations and stakeholders. Development of in-house technical solutions
Failure to eliminate regulatory barriers to the functioning of the CCP in Ukraine	Continuation of services in the format of facilitated clearing of exchange transactions

EXPANDING THE AREAS OF ACTIVITY

RISK, CAUSES OF OCCURRENCE	MEASURES TO MINIMIZE THE IMPACT
Lack of interest of final gas consumers in participating in the professional market as an active participant (trader)	Allocation of separate employees to serve the retail market and provide enhanced information and consulting support. Simplification and optimization of processes, information campaign for inactive participants with analytical demonstration of opportunities to improve the efficiency of their activities
Low liquidity of the exchange contracts market	Will be mitigated by removing barriers to market access for non-residents
Market opposition to the work of the reporting system unwillingness to bring their activities into the public sphere	An information campaign aimed at popularizing the need for an index. Creation of a board of transparent companies and promotion of their status and prestige being on the list of transparent companies as a conscious choice. Cooperation with public authorities, anti-money laundering and anti-corruption bodies to promote the creation of control mechanisms and de-shadowing of markets
Opposition of large agricultural businesses to increase competition in the market	Enlisting the support of the international community and donors (including within the framework of the Ukraine Revival Plan) interested in strengthening the country's economy and accumulating capital within strengthening of the country's economy
Not the revival of the steel industry	Promoting the regulatory framework for transparent exports of raw materials from Ukraine
State focus on further regulation of certain tariffs	Conducting economic and analytical modeling of the proposed system, including supporting it with similar examples of auction pricing in the EU

SOCIAL RESPONSIBILITY

RISK, REASONS FOR OCCURRENCE	MEASURES TO MINIMIZE THE IMPACT
Shortage of qualified personnel due to population migration. High staff turnover	Providing remote work opportunities for key employees. Improving the employee's social package, high demands on the staff are compensated by attractive salaries, improving the corporate climate, creating a friendly atmosphere and fostering a high degree of commitment to the company's interests
Opposition and resistance to operational optimization and reorganization	Personal assessment by management of the effectiveness of changes, professional assessment of staff workload and engagement
Mistaken perception of exchange trading (including as an extra link that creates added value) by society due to post-war tensions in the context of limited resources	An information and advertising campaign describing Exchange's contribution to the development of markets and, as a result, the creation of the ultimate good and benefits for society. Significant attention to brand promotion and positive media coverage
Failure to achieve the goals of maximizing and balancing the interests of society, business and government	Establishment of a unit for modeling and assessing the impact of activities on the socio-economic component. Prompt response to remedy situations that do not favor the interests of key stakeholders (carriers, the state)