

BRIEF ON KEY BUSINESS ISSUES

26.07.2024
Kyiv – London

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Preliminary deal on the sovereign restructuring

The Ukrainian Government has reached an in-principle agreement with the the *Ad Hoc* Creditor Committee of holders of Ukraine's Eurobonds to restructure the country's \$19.7 billion international debt. Both the IMF and the country's bilateral creditors, which include the US and the Paris Club, have signed off on Ukraine's proposals.

The bondholders' committee accepted nominal losses of 37% (which would save the country \$11.4 billion in payments over the next three years) of their holdings across 13 notes, forgoing \$8.67 billion of claims. The deal requires bondholders to surrender their existing bonds in return for two new series of paper— Bond A and Bond B. Ukraine will only have to pay interest until 2029, when it will have to start amortizing Bond A (one year later for Bond B). Both series run through 2036, and the repayments step up, the longer they run.

- Bond A would be equivalent to 40% of the principal amount of current Eurobonds plus PDI, and mature in 2029-2036. Step-up coupon payments for new notes issued under Bond A would start paying a 1.75% coupon from next year, with payments stepping up to as much as 7.75% from 2034 onwards.
- Bond B's price is 23% of its nominal price plus PDI, and it will mature in 2030-2036. Ukraine will pay zero interest rate on or before February 2027; from August 1, 2027 to August 1, 2033, the interest rate will be 3%, and from February 2034 onwards – 7.75%. They work as a future incentive for bondholders as it will offer higher payments if Ukraine's 2028 nominal GDP is 3% higher than what the IMF projects for that year, with an overall haircut that could be reduced to 25%. This one-time test will be conducted in 2029.

Ukraine's \$2.6 billion GDP warrants are also in discussion. The warrants were issued as a sweetener during Ukraine's 2015 debt restructuring. The parties agreed on removing a so-called cross default clause between its international bonds and the warrants maturing in 2041, whose payments are linked to economic growth.

The international bonds soared more than 5 cents after the announcement, with most maturities trading around the 35 cents mark and at their strongest in about two years.

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Import duties and VAT exemption on energy infrastructure, excluding wind turbines

On July 16th, the Parliament of Ukraine approved two draft laws in their second reading aimed at accelerating the restoration of energy infrastructure and the demining of Ukrainian territory. The adopted laws provide tax exemptions for the following equipment: mechanized demining machines, electric generators, equipment for wind and solar power generation and accumulators (excluding those with low capacity).

“(…) the Ukrainian Wind Energy Association (UWEA) said that the bills failed to lift taxes and duties on importing wind turbines. “As a result, the main equipment needed to construct wind farms will not be tax-exempt, contradicting the government's declared intentions.” – [ReCharge informs](#) – UWEA said it has appealed to the government to incorporate this “crucial customs code” into the laws. “Unfortunately, the UWEA's request was ignored. Without the necessary tax incentives, the development of wind energy in Ukraine will slow significantly.”

Preparing the coming winter and the recovery post-war

The [New York Times](#) quotes DTEK's published information about the critical equipment needs to rebuild generating capacity in time for winter, with the cost of equipment alone amounting to USD 176 mln at the time of publishing. The situation with power generating capacity is very challenging, but DTEK is prepared to restore up to 2.7 GW of generating capacity. However, urgent financial support from international partners is needed, along with air defense systems to protect the restored infrastructure.

On July 23rd, the Chatham House Ukraine Forum held a discussion “Ukraine's energy infrastructure under attack: strategies for survival” focusing on energy resilience to fight back Russian attacks and weaponization of energy. Marcus Lippold of DG NEAR highlighted that the EU Commission, in collaboration with U.S. partners, will support the development of additional renewable capacity (1-2 GW). He also emphasized the restoration of thermal generation as a priority under current circumstances and the shift away from highly centralized power generation. Mr. Lippold stressed the importance of air defense systems to protect all power generation capacities, even if they are decentralized.

Mrs. Lutsevych, Deputy Minister of Energy of Ukraine, and Mr. Shevlev, Alternate Board Director at EBRD, underscored the significance of public-private partnerships and the role of the private sector in the recovery process.

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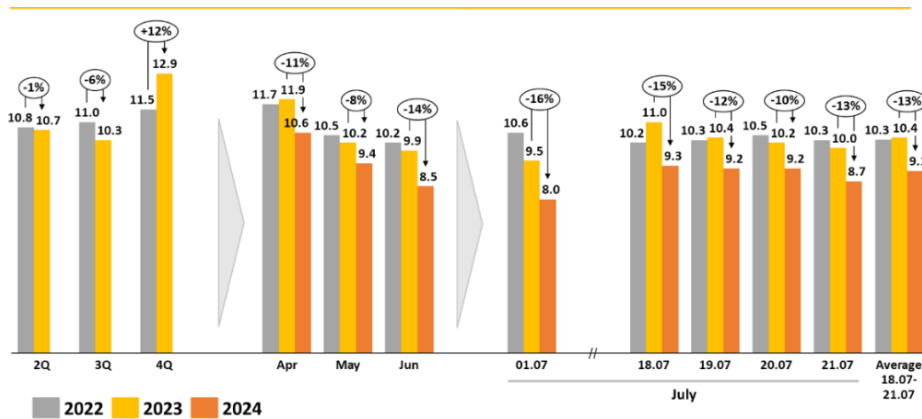
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Energy market update

The power system of Ukraine continues operating synchronously with ENTSO-E. The heat wave last week caused more power outages, which were requested by Ukrainian TSO Ukrenergo. Of the six power outage lines, three to four were utilized daily, resulting in 60-70% of Ukrainian households experiencing power outages simultaneously.

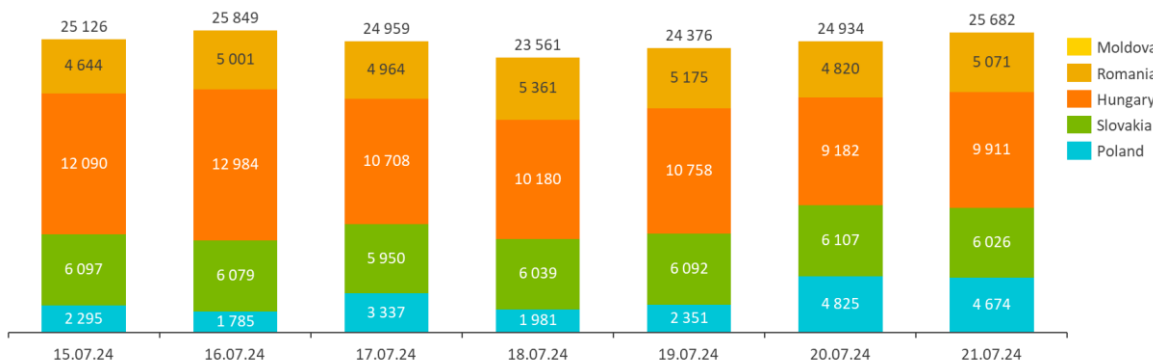
On July 18th-21st, average daily electricity consumption amounted to 240 mln kWh, which is 4% lower than during July 2023, average daily load is 13% lower than during July 2023. Average hourly load per day amounted to 9.1 GW.

Average hourly load per period, GW



Since the beginning of July, electricity imports to Ukraine have remained at a high level. There was no power export since May, 2024.

Daily electricity import (+)/ export (-) volumes in Ukraine, MWh

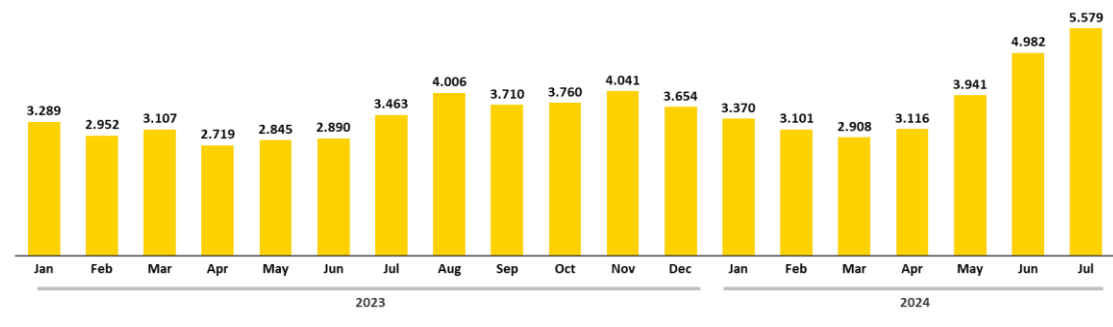


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Day-ahead market (DAM): During June electricity prices have increased to the level 4,982 UAH/MWh after electricity deficit occurred in the system after damage indicted by missile strikes on energy infrastructure. As for July 22nd, baseload DAM prices increased to 5,579 UAH/MWh.

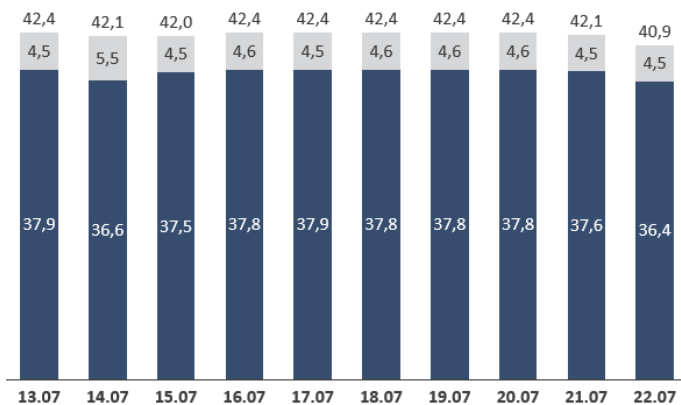
DAM Baseload price in Ukraine, UAH/MWh



Oil & Gas

- Gas transit from russia after weekend decreased to usual lower level of 40.9 mln m³ on July 22nd. Daily nominations to Slovakia are 36.4 mln m³. Nominations to Moldova (Transnistria) – 4.5 mln m³.
- Gazprom continues to transit gas via only one route, Sudzha, while Sokhranivka entry point remains occupied by russian military.

Gas transit via Ukraine, mln m³



Daily nominations: 22.07.2024

