nature relationships, which is especially relevant for the development of megacities, since a modern city with its complex system of numerous connections has become the main type of the modern settlement. The historical garden-park objects are increasingly being pushed out of the urban environment, despite the efforts of modern architects to create new (natural) green zones: from "Parks of virgin nature" in the center of the megacities to the construction of cities-gardens.

FIRST RESULTS OF GAS MARKET REFORM

YEVHEN MASLIKOV, student
VLADIMIR G. KOTUKH, Associate Professor, PhD in Engineering, Scientific Adviser
VLADIMIR S. SEDAK, Professor, PhD in Engineering, Academician of the Ukrainian Oil and Gas Academy,
Scientific Adviser
IGOR M. SHULIAKOV, Senior Teacher, Language Adviser
O. M. Beketov National University of Urban Economy in Kharkiv

Over the past three years, Naftogaz, has been actively involved in promoting reforms in the energy sector. The military conflict in Eastern Ukraine has exacerbated the issue of the country's energy independence, which can only be achieved through drastic and sometimes painful reforms.

In April 2016, a supervisory board was set up. This independent body assumed a number of duties previously performed by the government. At the same time, the supervisory board still lacks sufficiently broad authority and responsibilities to control the company's board activities. As envisaged by the corporate governance action plan, starting from April 2017, a targeted charter was expected to come into force to grant to the supervisory board powers recommended by the OECD. Political interference in the Company's activities was reduced, leading to greater confidence from international lenders and partners. Due to internal audit risk management, compliance and transparent procurement. Naftogaz obtained effective safeguards against undesirable effects.

The unprecedented openness of, and market pricing in, the unregulated segment made it possible to de—monopolize imports and the wholesale segment of the natural gas market. As a result, the number and percentage share of private companies are steadily growing. For example, the percentage share of private importers in total gas imports has increased from 7% in 2015 to 28% in 2016. In April-May 2016, a single price level for natural gas as a commodity was introduced for both households and district heating company entities(DHCs), which produce thermal energy for households, at parity with imported gas prices.

in July 2016, the Cabinet of Ministers of Ukraine, together with the Energy Community Secretariat, the EBRD and other international partners of Ukraine approved a plan for the unbundling of the gas transmission network operator. Full implementation of this plan will result in establishing a truly independent operator that will meet European standards of efficiency and professionalism.

In September 2016, the Verkhovna Rada of Ukraine adopted the law “On the National Commission for state regulation in the energy and utility services sectors." The law was a significant step forward,

creating basic preconditions for the establishment of an independent market regulator. Undoubtedly, implementation of this law will be another necessary step in this direction.

Despite these isolated achievements, 2016 saw a slowdown of natural gas market reform. Market experts also point out that there is a significant risk of curtailing Ukraine's natural gas market reform and returning to past problems, including threats to energy security and the welfare of citizens.

Corporate governance reform and efforts to separate the duties of the TS0 ("unbundling") are very much behind the schedule set out in approved government plans.

At the same time, the current status could be used as a launch-pad to restart natural gas market reform, including decisive steps aimed at solving fundamental problems of the market.

Creation of a competitive wholesale and retail natural gas market

Naftogaz sells domestic and imported gas to designated regional gas supply companies (oblgazzbuts) for further delivery to all residential consumers throughout Ukraine. These companies are de facto monopolies operating on preferential terms in the household supply segment and are not exposed to competition. Naftogaz cannot enter the retail market and compete with monopolistic oblgazzbuts.The Energy Community Secretariat expressed surprise at the situation in the household gas supply segment. Naftogaz is ready to compete with regional gas supply companies and to supply natural gas to households bypassing intermediaries. April 2017, the company submitted proposals to the government.

At the time of publication of this report, no secondary legislation, notably the Network Code (the Gas Transmission Network of Ukraine Code which establishes the “rules of the game” in the market) that meets the EU standard network codes and the requirements of the Third Energy Package including the Directive 2009/73/ EU “Concerning common rules for the natural gas internal market” and EU Regulation 715/2009 “On conditions for access to natural gas transmission networks” had been adopted. Ukrtransgaz is drafting appropriate changes to legislation.

Separating functions of the transmission system operator (TSO)

Today Ukraine’s TSO is Ukrtransgaz. As a member of the Energy Community, Ukraine has assumed responsibility to unbundle the TSO management function in accordance with EU energy legislation, in particular the Third Energy Package, having chosen the strictest ownership unbundling model (FOU).

The TSO unbundling process must take into account the economic interests of Ukraine. The transfer of assets to the new TSO is expected to begin following the decision of the Stockholm arbitration court.

In general, cooperation with a leading Western operator should improve the operational efficiency of Ukraine's TS0 (including through prompt detection of possible fraud and corruption prevention) and strengthen the credibility of the Ukrainian gas market with European gas companies, governments, institutions, etc. This should facilitate the transfer of gas transfer points from PJSC ‘Gazprom’ to European customers on the Ukraine-Russia border and the preservation of Ukraine's transit country status.

On 10 April 2017, Naftogaz Ukrtransgaz, Snam S.p.A. (Italy) and Eustream a.s. (Slovakia) signed a memorandum of understanding for joint evaluation of possibilities of cooperation in the use and development of Ukraine's gas transmission system. The document was signed in the presence of the Minister of Energy and Coal Industry of Ukraine, EU Commissioner for Energy and Climate Action and the Minister of Economic Development of Italy.

Among other things, the document aims to ensure the long-term stability of natural gas transmission through Ukraine's territory according to the standards of European markets safe and effective use of Ukraine's GTS, as well as transparent and nondiscriminatory access to this network for third parties in accordance with the applicable laws As part of the memorandum, participating companies will make a joint assessment about the possibilities of using and upgrading the gas transmission network of Ukraine in order to ensure its efficiency and competitiveness.

Naftogaz corporate governance reform

In October 2015 the Cabinet of Ministers supported a proposal to approve the Naftogaz corporate governance action plan (hereinafter — NCGAP) which provides for amendments to certain Ukrainian laws and regulations.

Unfortunately, in 2015 very important changes to the laws oi Ukraine aimed at the implementation of this plan were not adopted, in addition, the unconditional Implementation oi measures provided by the NCGAP is a key obligation and precondition which will allow Naftogaz to retain access to EBRD financing for purchases of natural gas from European suppliers. Failure to fulfill the NCGAP may result in a requirement to repay its debt to the EBRD prior to the scheduled date and may put at risk not only the country’s energy security but also the implementation or planned gas sector reforms. Likewise, reform of corporate governance systems of state-owned enterprises is also a precondition for gaining access to other support programs available to Ukraine. Accordingly delays or poor implementation of agreed reform plans create significant risks for the country’s cooperation with international financial institutions, including the IMF.