

113TH CONGRESS
2D SESSION

S. 2433

To provide assistance to Ukraine to reduce the dependence of Ukraine on imports of natural gas from the Russian Federation, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JUNE 5, 2014

Mr. MARKEY introduced the following bill; which was read twice and referred to the Committee on Foreign Relations

A BILL

To provide assistance to Ukraine to reduce the dependence of Ukraine on imports of natural gas from the Russian Federation, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Ukrainian Independ-
5 ence from Russian Energy Act”.

6 **SEC. 2. FINDINGS.**

7 Congress makes the following findings:

8 (1) Ukraine is dependent on natural gas sup-
9 plies from the Russian Federation to meet more
10 than half of demand in Ukraine.

1 (2) Entities owned by the Government of the
2 Russian Federation have manipulated natural gas
3 supplies and prices in Ukraine in order to gain geo-
4 political leverage over Ukraine and neighboring
5 countries of Ukraine.

6 (3) Energy subsidies provided by the Govern-
7 ment of Ukraine amount to roughly 8 percent of the
8 gross domestic product of Ukraine and make energy
9 markets opaque, inefficient, and susceptible to cor-
10 ruption.

11 (4) Ukraine is the second-least energy efficient
12 country in the world.

13 (5) The International Energy Agency has esti-
14 mated that if the economy of Ukraine were as en-
15 ergy efficient as the average country in Europe,
16 Ukraine would reduce natural gas consumption by
17 greater than 50 percent.

18 (6) The level of savings from the reduction de-
19 scribed in paragraph (6) could nearly eliminate the
20 dependence of Ukraine on imports of natural gas
21 from the Russian Federation.

22 (7) The World Bank Group has estimated that
23 Ukraine could reduce the amount of natural gas
24 used for heating by 50 percent through efficiency
25 measures.

1 (8) On April 25, 2014, a coalition of 35 cities
2 in Ukraine sent a letter urgently requesting assist-
3 ance in increasing the energy efficiency of their
4 buildings, district heating systems, and transpor-
5 tation networks in order to reduce dependence on
6 imports of natural gas from the Russian Federation.

7 (9) A \$17,000,000,000 loan package from the
8 International Monetary Fund to help stabilize the
9 economy of Ukraine requires reforms of energy mar-
10 kets in Ukraine and includes provisions to gradually
11 eliminate energy subsidies, which will raise retail
12 natural gas rates by 56 percent in 2014, 40 percent
13 in 2015, and 20 percent in 2016 and 2017.

14 (10) Absent large reductions in energy con-
15 sumption, the rate increases mandated by the Inter-
16 national Monetary Fund loan package from the
17 International Monetary Fund could have devastating
18 impacts on low-income households in Ukraine.

19 (11) Ukraine is estimated to have significant
20 conventional and unconventional oil and gas re-
21 serves, which are mostly untapped.

22 (12) The International Energy Agency has esti-
23 mated that Ukraine possesses natural gas reserves
24 of approximately 5,400,000,000,000 cubic meters,
25 although the annexation of Crimea by the Russian

1 Federation may impact Ukraine’s recoverable oil and
2 gas reserves.

3 (13) Exports of liquefied natural gas from the
4 United States to Ukraine would not provide assist-
5 ance for Ukraine in the short term and would be un-
6 likely to reach Ukraine in the long term because—

7 (A) of natural gas global market dynamics;

8 (B) there are no liquefied natural gas im-
9 port facilities in Ukraine; and

10 (C) the Government of Turkey has indi-
11 cated it would block shipments of liquefied nat-
12 ural gas through the Bosphorus Strait because
13 of safety concerns.

14 **SEC. 3. POLICY ON SUPPORTING ENERGY INDEPENDENCE**
15 **OF UKRAINE.**

16 It is the policy of the United States to use all re-
17 sources of the United States Government—

18 (1) to coordinate with multi-donor efforts to re-
19 form energy subsidies provided by the Government
20 of Ukraine and energy markets in Ukraine;

21 (2) to encourage private sector investment in
22 the energy sector of Ukraine;

23 (3) to protect low-income households in Ukraine
24 from dramatic increases in energy rates;

1 (4) to increase transparency and reduce corrup-
2 tion in the energy sector of Ukraine;

3 (5) to improve energy efficiency, increase do-
4 mestic energy supplies, and develop alternative
5 sources of energy in Ukraine in order to reduce the
6 reliance of Ukraine on energy from the Russian Fed-
7 eration; and

8 (6) to increase the capacity of agencies of the
9 Government of Ukraine, nongovernmental organiza-
10 tions, and private entities to administer and manage
11 energy efficiency and energy security-related projects
12 in Ukraine.

13 **SEC. 4. ASSISTANCE FROM THE UNITED STATES AGENCY**
14 **FOR INTERNATIONAL DEVELOPMENT.**

15 (a) IN GENERAL.—The Administrator of the United
16 States Agency for International Development shall, in fis-
17 cal years 2015 through 2017—

18 (1) prioritize, to the extent feasible, the provi-
19 sion of direct assistance to Ukraine to improve en-
20 ergy efficiency, increase energy supplies produced in
21 Ukraine, and reduce reliance on energy imports from
22 the Russian Federation through measures described
23 in subsection (b); and

24 (2) through the Development Credit Authority,
25 make loan, lease, and bond guarantees to appro-

1 appropriate financial institutions and other eligible bor-
 2 rowers to facilitate the involvement of such institu-
 3 tions and other borrowers in financing and expand-
 4 ing efforts in Ukraine to improve energy efficiency,
 5 increase energy supplies produced in Ukraine, and
 6 reduce reliance on energy imports from the Russian
 7 Federation through measures described in subsection
 8 (b).

9 (b) MEASURES DESCRIBED.—The measures de-
 10 scribed in this subsection include—

- 11 (1) replacing inefficient boilers;
- 12 (2) upgrading district heating systems;
- 13 (3) improving metering and measurement sys-
 14 tems for natural gas use and heating;
- 15 (4) upgrading natural gas and heat distribution
 16 systems, including pipes that leak or are poorly insu-
 17 lated;
- 18 (5) improving the efficiency of buildings;
- 19 (6) reducing losses in natural gas transmission
 20 systems;
- 21 (7) improving the efficiency of compressor sta-
 22 tions;
- 23 (8) improving efficiency in the industrial sector;
- 24 (9) legal and regulatory support focused on nat-
 25 ural gas and electricity market rules, regulations,

1 and transparency, developed in accordance with the
2 terms of the stand-by arrangement between the
3 International Monetary Fund and Ukraine, approved
4 in April 2014;

5 (10) support for structuring of gas and elec-
6 tricity markets with cost-reflective pricing, developed
7 in accordance with the terms of the stand-by ar-
8 rangement;

9 (11) encouraging greater natural gas and elec-
10 tricity interconnections between Ukraine and neigh-
11 boring countries;

12 (12) developing renewable sources of energy;
13 and

14 (13) developing energy transmission, refining,
15 and storage facilities.

16 (c) AUTHORIZATION OF APPROPRIATIONS.—There is
17 authorized to be appropriated to the Administrator of the
18 United States Agency for International Development
19 \$10,000,000 for each of fiscal years 2015 through 2017
20 to carry out this section.

21 **SEC. 5. ASSISTANCE FROM THE DEPARTMENT OF STATE.**

22 (a) IN GENERAL.—The Secretary of State shall, in
23 fiscal years 2015 through 2017, coordinate the activities
24 of United States agencies related to the energy sector of
25 Ukraine and prioritize, to the extent feasible, support and

1 technical assistance to increase responsible production in
2 and transparency of the natural gas sector in Ukraine
3 through measures that include—

- 4 (1) resource and technology assessments;
- 5 (2) evaluation of production capabilities;
- 6 (3) economic assessments of potential resources;

7 and

- 8 (4) dissemination of international best practices
- 9 and provision of legal and regulatory information
- 10 and guidance to help establish energy policies that—

- 11 (A) protect public health and safety;
- 12 (B) protect the environment;
- 13 (C) effectively manage royalties and rev-
- 14 enue; and
- 15 (D) increase transparency and reduce cor-
- 16 ruption.

17 (b) AUTHORIZATION OF APPROPRIATIONS.—There is
18 authorized to be appropriated to the Secretary of State
19 \$2,500,000 for each of fiscal years 2015 through 2017
20 to carry out this section.

21 **SEC. 6. PROMOTION OF UNITED STATES PRIVATE SECTOR**
22 **PARTICIPATION IN ENERGY EFFICIENCY AND**
23 **ENERGY DEVELOPMENT IN UKRAINE.**

24 (a) IN GENERAL.—The Director of the Trade and
25 Development Agency shall promote United States private

1 sector efforts to help improve energy efficiency, develop
 2 domestic oil and natural gas reserves, and develop renew-
 3 able sources of energy in Ukraine by—

4 (1) conducting and funding project preparation
 5 activities, feasibility studies, technical assistance,
 6 pilot projects, reverse trade missions, conferences,
 7 and workshops; and

8 (2) providing any other assistance that the Di-
 9 rector considers appropriate to promote such efforts.

10 (b) AUTHORIZATION OF APPROPRIATIONS.—There is
 11 authorized to be appropriated to the Director of the Trade
 12 and Development Agency \$1,000,000 for each of fiscal
 13 years 2015 through 2017 to carry out this section.

14 **SEC. 7. SUPPORT FROM THE OVERSEAS PRIVATE INVEST-**
 15 **MENT CORPORATION.**

16 The Overseas Private Investment Corporation shall—

17 (1) prioritize support for investments to help in-
 18 crease energy efficiency, develop domestic oil and
 19 natural gas reserves, and develop renewable sources
 20 of energy in Ukraine; and

21 (2) implement procedures for expedited review
 22 of and, as appropriate, approval of, applications by
 23 eligible investors (as defined in section 238 of the
 24 Foreign Assistance Act of 1961 (22 U.S.C. 2198))

1 for loans, loan guarantees, and insurance for such
2 investments.

3 **SEC. 8. SUPPORT FROM THE EXPORT-IMPORT BANK OF**
4 **THE UNITED STATES.**

5 The Board of Directors of the Export-Import Bank
6 of the United States shall take prompt measures, con-
7 sistent with the credit standards otherwise required by
8 law, to promote the expansion of the financial commit-
9 ments of the Bank under the loan, guarantee, and insur-
10 ance programs and special financing programs of the
11 Bank for projects to improve energy efficiency, develop do-
12 mestic oil and natural gas reserves, and develop renewable
13 sources of energy in Ukraine.

14 **SEC. 9. PRIORITIZATION OF ENERGY EFFICIENCY AND DO-**
15 **MESTIC ENERGY PROJECTS IN UKRAINE BY**
16 **THE WORLD BANK GROUP AND THE EURO-**
17 **PEAN BANK FOR RECONSTRUCTION AND DE-**
18 **VELOPMENT.**

19 The President shall direct the United States Execu-
20 tive Directors of the World Bank Group and the European
21 Bank for Reconstruction and Development to use the
22 voice, vote, and influence of the United States to encour-
23 age the World Bank Group and the European Bank for
24 Reconstruction and Development and other international
25 financial institutions to invest in, and increase their efforts

1 to promote investment in, projects to improve energy effi-
2 ciency, develop domestic oil and natural gas reserves, and
3 develop renewable sources of energy in Ukraine, and to
4 stimulate private investment in such projects.

5 **SEC. 10. EFFECTIVENESS MEASUREMENT.**

6 In providing loan guarantees, assistance, and support
7 pursuant to this Act and in prioritizing the projects de-
8 scribed in this Act, the President and the heads and other
9 appropriate officials of the United States Agency for
10 International Development, the Trade and Development
11 Agency, the Overseas Private Investment Corporation, and
12 the Export-Import Bank of the United States shall ensure
13 that the effectiveness of such guarantees, assistance, sup-
14 port, and projects is measured through the use of clear,
15 accountable, and metric-based targets aimed at achieving
16 enhanced energy security for Ukraine.

17 **SEC. 11. BRIEFING ON ALTERNATIVE PIPELINE ACCESS**
18 **AND SUPPLIES FOR UKRAINE.**

19 Not later than 30 days after the date of the enact-
20 ment of this Act, the Secretary of State shall provide to
21 the Committee on Foreign Relations of the Senate and
22 the Committee on Foreign Affairs of the House of Rep-
23 resentatives a briefing on—

24 (1) the economic and political viability of trans-
25 porting natural gas supplies into Ukraine from coun-

1 tries other than the Russian Federation through the
2 reversal of existing pipeline flows or through new or
3 expanded pipelines; and

4 (2) the potential to reduce natural gas con-
5 sumption in Ukraine through efficiency measures or
6 through the use of alternative sources of energy.

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