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COVID-19 in numbers:

Ukraine

Cases: 2,550,089

Deaths: 58,700

Recovered: 2,292,480

Worldwide

Cases: 238,822,010

Deaths: 4,870,020

Recovered: 216,000,606

Nord Stream 2 Renewable Energy Ukraine's Energy Challenge

After Nord Stream 2 promises, German fund lies dormant

By Max Hunder. Published Oct. 9 at 12:23 pm



Armin Laschet, German Christian Democratic Union party leader, opens a green hydrogen plant run by oil giant Royal Dutch Shell in Wesseling, Germany, on July 2, 2021. Ukraine could receive funding for similar hydrogen electrolyzers from over \$175 million Green Fund set up by Germany and the U.S. after their July 21 joint statement allowing Nord Stream 2 pipeline to be built.

Photo by AFP

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A joint statement between the German and U.S. governments condoned the project's construction, putting an end to years of the West's diplomatic pressure against the \$11 billion, 1,230-kilometer line.

The pipeline will double the existing Nord Stream route's capacity to 110 billion cubic meters a year, jeopardizing Ukraine's status as a gas transit country.

Natural gas transit is one of the few points of political leverage Ukraine has against Russia, which sent 55.8 billion cubic meters of the fuel through Ukraine last year while it illegally occupies the Crimean peninsula and controls parts of the eastern Donbas.

The German-U.S. statement promised a Green Fund for Ukraine.

While not officially a reparation fund, it was widely regarded as a compensatory measure by the German government for imperiling Ukraine's energy security, as well as its gas transit fees from Russia, which totaled \$2.1 billion last year.

However, nearly three months after the announcement, there has been no movement on the fund.

"Because of (September's German federal)

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minister of energy and current advisor to the CEO

of Naftogaz, Ukraine's state-owned gas

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Unilateral decision

The July joint statement promised an investment of “at least \$1 billion” into Ukraine’s clean energy sector, but with the caveat that most of the money would come from private investors.

“Germany will make an initial contribution of at least \$175 million to the fund. The federal government will also aim to mobilize further funding by other states, companies and foundations,” a spokesperson from the German embassy told the Kyiv Post.

Riabchyn expressed Ukraine’s disappointment.

“We’re losing \$2 billion annually and you’re promising us \$1 billion, of which you’re only putting up \$175 million? This is not how things are done.”

According to Riabchyn, who also was previously an advisor to the Deputy Prime Minister for Euro-Atlantic Integration, Olha Stefanyshyna, the Green Fund is a copy of earlier plans discussed by Stefanyshyna’s office with the European Union.

Previously, the Ukrainian side had lobbied for the creation of a jointly financed fund of \$20–30 billion to pay for upgrades to Ukraine’s energy efficiency and its transition to net-zero CO2 production.

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it with us, it was a unilateral decision,” Riabchyn said.

Potential investments

The German embassy said that “hydrogen should be one of the focus areas of the fund. Since hydrogen production requires a further promotion of renewable energies, renewable energies should also be a priority.”

While Ukraine needs fresh investment into green energy, the German fund will need to surmount the massive skepticism that investors currently have for Ukrainian renewables.

Green energy investors in Ukraine are currently owed more than \$700 million by the state.

The European Bank for Reconstruction and Development said in July 2020 that it was “seriously concerned” about the situation in Ukraine’s renewable energy sector. According to Yuriy Kubrushko, CEO of energy consultancy Imepower, the fund can go some way to protecting green investments.

“Germany, the U.S. and other countries can help a lot by providing additional guarantees, risk insurance or mobilizing bank financing,” he told the Kyiv Post.

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(which is produced using renewable energy sources), with a view to make Ukraine an exporter of green hydrogen to Europe.

However, according to S&P Global analytics, green hydrogen costs need to fall “over 50% to be viable,” and this likely won’t be a profitable energy solution until at least 2030.

Meanwhile, Ukraine’s current \$7 billion gas transit contract with Gazprom ends in 2024, and there is no guarantee that another will be signed.

The Green Fund for Ukraine simply won’t be big enough to provide more than minimal coverage of the transition costs.

For its domestic hydrogen projects, Germany has announced a fund of \$9 billion of government money and a further \$38 billion of private investment. Germany has also earmarked \$400 million for hydrogen investments abroad, more than double its contribution to the Green Fund for Ukraine.

“I don’t think it’s reasonable to fund hydrogen infrastructure through the fund as it is not enough at all,” Riabchyn said.

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