

**Annual Progress Report
for 2022
Ukraine**



Extractive Industries Transparency Initiative

Kyiv

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Overall performance assessment for the year

Provide a brief summary of the EITI activities carried out in the past year in accordance with Requirement 7.4(a)(i).

In 2022, the EITI Multi-Stakeholder Group held 6 meetings (7 were planned, however, one meeting was canceled due to a missile attack). During those meetings, the EITI Report for 2021, EITI Action Plan for 2022, Progress Report for 2021, Action Plan for Operation of the EITI Platform, updated version of the Provisions on the EITI Multi-Stakeholder Group, as well as other important issues related to the EITI implementation in Ukraine were approved.

Despite Russia's full-scale invasion Ukraine, we have managed to ensure continuous operation of the pilot version of the Extractive Industries Data Portal of Ukraine (hereinafter referred to as the EITI Portal) at <https://eiti.gov.ua/>. Functioning of the EITI Portal was made possible thanks to the support provided by the German Society for International Cooperation (GIZ) GmbH.

In 2022, 124 business entities submitted their 2021 Reports on payments to the government through the Electronic System for Report Submission and Analysis - the EITI Portal. The EITI MSG decision agreed to extend the possibility of submitting EITI Reports through the Portal for the period of martial law or the state of war and three months after their termination.

An important aspect of the EITI implementation in 2022 was the assessment of losses and damage caused by Russia's armed aggression against Ukraine. The Energy Transition Report prepared by E&Y includes a section on this issue. The additional request form on state participation in the extractive sector was also supplemented with a corresponding section.

Due to limited budgetary funding in 2022 caused by Russia's military actions against Ukraine, the 2021 EITI report was not translated into English, no reconciliation of payments was performed, and no brief version was prepared.

On January 15, 2022, the Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine on Ensuring Transparency in Extractive Industries" [# 1974-IX dated December 16, 2021](#) came into force amending the provisions of the Law on the EITI (# 2545-VIII) to eliminate certain gaps to better meet the provisions of the 2019 EITI Standard.

In 2022, restrictions were imposed due to the introduction of martial law, including:

- reduction of the amount of state budget funds allocated for preparation of the 2021 EITI Report and, accordingly, reduction of the scope of the Terms of Reference for the Independent Administrator to prepare the EITI Report;
- the 2021 EITI report did not contain payments reconciliation and a summary report, and it was not translated into English;
- limited access to the public part of the EITI Portal and to the information on the Ministry of Energy`s website.

Special attention was paid to the following areas of activity:

- *Steps towards transition to electronic implementation of the EITI*

According to the EITI Management Board decision, in the coming years, countries should switch to electronic implementation of the EITI (mainstreaming). Currently, the EITI implementation process requires a significant amount of human resources and time, so the EITI Multi-Stakeholder Group's agenda includes computerization of the EITI implementation processes in Ukraine through the development of an electronic reporting platform. By its Order # 5-ag dated 03.02.2021, the Ministry of Energy adopted the EITI Electronic System for Report Submission and Analysis, whose implementation significantly simplifies the process of reporting by disclosing entities and data analysis for preparation of the EITI report, provides simple and convenient access to information on the activities of companies in extractive industries and revenues received by the state from those companies' activities.

Thanks to the online platform, the EITI has managed to establish transparent reporting standards, combine business interests, government responsibility and community needs, and integrate Ukraine into the global EITI community in a digital sense. In recent years, Ukraine has made significant progress in data openness and is ranked high in the global Open Data rankings. Creation of the EITI online platform is another significant contribution to transparency and development of open government data at the international level.

There is a problem. The Ministry of Energy's proposals to allocate budget funds for maintaining, supporting and hosting of the online platform are not taken into account by the Ministry of Finance when preparing the state budget.

Efforts are underway to attract donor funds to support the EITI implementation process in Ukraine, in particular, to ensure operation of the EITI online platform. Due to the introduction of martial law in Ukraine, access to information of the public part had to be significantly restricted. At the same time, electronic security of the EITI Portal was condifrtsably improved, in particular:

- user identification protocols through the Diia App were updated;
- cloud servers running the system were moved to the West Europe region;
- the level of SSL certificate has been raised, i.e., the protection of user personal information on the Internet has been significantly improved.

At the meeting of EITI Multi-Stakeholder Group on 07.12.2022, the Action Plan for ensuring functioning of the EITI Electronic System for Report Submission and Analysis (the EITI Portal) for 2023-2025 was approved.

Pursuant to the agreements on information sharing signed in July 2021 with the State Tax Service and the State Service for Geology and Mineral Resources of Ukraine, the work was ongoing on coordination of draft protocols on organization and procedure for electronic exchange of information to analyze data for the purpose of EITI reporting.

Between June and September 2022, GIZ supported 3 trainings for companies on how to use the Portal, including new features in filling out the reporting forms. On October 5, 2022, a Strategic Session on development of the EITI Portal was held. Information about this event is available on the national EITI website in Ukraine at <https://cutt.ly/OBmPD6X>.

The EITI portal has a [video guide on how to](#) report using the EITI online platform. Based on the results of analysis of the electronic reporting process, the Ministry of Energy supported by consultants from the German Society for International Cooperation (GIZ) and developers of the online platform, and Nova Energia NGO prepared [Recommendations \(on submitting the Report via the EITI online platform\)](#).

Development of the EITI Portal was made possible thanks to cooperation of the Ministry of Energy of Ukraine with the Good Public Finance Governance Project implemented by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH on behalf of the German Federal Government.

It is worth noting that in 2022, activities for implementation EITI online platform was realised, as envisaged by the Open Government Partnership Implementation Action Plan for 2021-2022.

In accordance with the Law of Ukraine "On Ensuring Transparency in Extractive Industries", the deadline for submitting reports was September 1, 2022, but on June 10, 2022, Law # 2436-IX "On Protection of Interests of Entities Submitting Reports and Other Documents during Martial Law or a State of War" came into force:

"During the period of martial law or a state of war, as well as within three months after its termination or cancellation, persons responsible for the timely and full

submission and disclosure of financial statements shall be released from the liability for violation of the deadlines for disclosure of annual financial statements and annual consolidated financial statements, together with the relevant audit reports, management report, consolidated management report, report on payments made to the Government and consolidated report on payments made to the Government.

At the suggestion of NOVA Enerzia, in September 2012, the EITI MSG agreed to extend the period for submitting EITI Reports through the Portal for the relevant time period.

- ***Improving the legal framework for EITI implementation in Ukraine***

The requirements for transparency and accountability in extractive industries are enshrined in the legislation. In 2018, the Law of Ukraine "On Ensuring Transparency in Extractive Industries" # 2545-VIII (hereinafter referred to as the Transparency Law) was adopted, and on September 23, 2020, the Cabinet of Ministers of Ukraine adopted Resolution # 858 "Some Issues of Ensuring Transparency in Extractive Industries", in accordance with which National Reports for 2018, 2019, 2020, and 2021 were prepared.

In order to bring regulations in line with Law of Ukraine # 1974-IX dated 16.12.21 "On Amendments to Certain Legislative Acts of Ukraine on Ensuring Transparency in Extractive Industries", the Ministry of Energy prepared a draft Order amending the Regulation, which was published on the Ministry's website; due to the large number of proposals from the public, the draft Order was returned for revision.

- **Implementation of the communication strategy and continuation of work in the regions**

In total, only 12 events were held at the regional and national levels in 2021. Due to Russia's undeclared war against Ukraine, opportunities for conducting public events were significantly limited for security reasons, and most events in 2022 were held online. The meetings were dedicated to discussing the environment, gender, regional dimension of the EITI and open data, the EITI online portal, contract disclosure, etc.

Detailed information on each event is provided in Annex 1 to this Report.

In 2022, there were 7.9 thousand visits to the EITI Portal <https://www.eiti.gov.ua/>. The coverage of the [EITI Ukraine/ITI Ukraine Facebook page in Ukraine](#) amounted to 3,578 people in the period from 01.01.2022 to 31.12.2022.

In early 2022, work continued on establishing a regional EITI MSG in Lviv oblast. Establishing of the EITI MSG was suspended due to the beginning of Russia's full-scale invasion of Ukraine.

- ***Drafting of the 2021 EITI Report***

On December 21, 2022, the EITI Multi-Stakeholder Group approved the EITI Report 2021. The report was presented in 2023, but its circulation was limited for security reasons.

The EITI Report 2021 was prepared at the expense of the state Budget of Ukraine.

The EITI Report 2021 is the eighth report of Ukraine prepared in accordance with the EITI Standard. The Report presents the results of activities of 10 extractive industries during the reporting period, namely oil and gas, hard coal, iron ore, titanium, manganese, refractory clay, high-melting clay, quartz sand, construction stones, and oil and natural gas transmission in 2021. In addition, the Report contains information on mineral reserves, geological exploration, volumes and value of mineral extraction, exports and imports, and the role of the state in extractive industries. The EITI Report 2021 also contains information on the regulatory framework and fiscal regulation of extractive industries, contribution of extractive industries to the Ukrainian economy, social and environmental payments made by extractive companies, and the environmental impact of extractive industries.

Preparation of the EITI Report is the result of joint work of the Government, civil society organizations and extractive companies.

Evaluation of the work against the objectives and activities set out in the Action Plan

Evaluation of progress towards achieving the objectives set out in the Action Plan (Requirement 1.5), including the impact and outcomes of the objectives (Requirement 7.4(a)(iv)).

The multi-stakeholder group can:

- Provide a list of tasks and objectives set out in the Action Plan and describe progress in achieving them.
- Provide a brief description of activities outlined in the Action Plan, indicating whether those activities were completed. Include any additional activities that have not been envisaged in the Action Plan but can contribute to achieving broader objectives.

During the year, the following objectives and items of the Action Plan were completed:

1. National Priority: Improving transparency and data disclosure in extractive industries

1.1. Publication of Ukraine's EITI Report for 2021

Objective 1.1. Publication of Ukraine's EITI Report for 2021 (on 25/01/2023 the EITI Report 2021 was presented but its dissemination in the public space was limited for security reasons) - partially achieved

- ❖ The EITI Multi-Stakeholder Group reviewed the scope and content of EITI Report, including plans to address technical aspects of reporting, such as data completeness and credibility (EITI Requirement 1.5 c (II))
- ❖ The EITI Multi-Stakeholder Group approved the Terms of Reference (ToR) for the Independent Administrator (EITI Requirement 1.4b) (
- ❖ The EITI Multi-Stakeholder Group has approved the nomination of the Independent Administrator (EITI Requirement 1.4b (iv))
- ❖ Collection of information from the Government and companies by the Independent Administrator. Use of the EITI online platform to complete reporting forms and prepare the EITI Report for 2021 (EITI Requirement 2.1-6.3).

Objective 1.2 Integrate the EITI into governmental systems - partially achieved

- ❖ The EITI MSG approved the updated Provisions on the Multistakeholder Group for implementing the Extractive Industries Transparency Initiative to bring it in line with the Law of Ukraine "On Ensuring Transparency in the Extractive Industries" # 2545-VIII, dated 18.09.2018 (#3790) (Requirement 2.4 (b))
- ❖ Improvement of the MVP system for automated data collection and processing of the EITI Report - activities were ongoing to prepare and approve the documents necessary to ensure automated exchange of information, but the actual exchange in 2022 was not implemented.

Objective 1.3. Other activities within the framework of EITI implementation in Ukraine - partially achieved

- ❖ The annual Progress Report for 2021 was published;
- ❖ The Action Plan for 2023 was developed;
- ❖ The draft EITI Implementation Monitoring and Evaluation Report for 2021 was prepared and finalized;
- ❖ Drafting of the EITI Report for 2022 was included in the general fund of the draft State Budget of Ukraine for 2023. However, due to the

depreciation of the national currency, there may not be enough funds to have the Report translated and to publish its brief version.

- ❖ Workshops for stakeholders (*see Annex 1 for a list*);
- ❖ Due to the beginning of full-scale invasion, it was not possible to complete the establishment (formation of its composition) of the regional EITI Multi-Stakeholder Group in Lviv oblast.
- ❖ *No clear policy on access, release and use of data has been agreed upon. The EITI MSG has not agreed on an open data policy, it is important to monitor the commitments made and progress achieved with regard to open data.*

2. National priority: strengthening partnerships between the national government, local self-governments, companies and local communities to reduce tensions

Objective 2.1. Outreach in the regions - partially achieved

- ❖ Several events (information sessions, workshops) were held for representatives of extractive communities and regions. *More detailed information is provided in Annex 1 "List of the EITI events in Ukraine in 2022".*

Objective 2.2. Effective implementation of the communication strategy - partially achieved

- ❖ A number of informational and educational events were held, including workshops, lectures, trainings, roundtables, and public discussions for different target audiences. *More detailed information is provided in Annex 1 "List of the EITI Events in Ukraine in 2022".*
- ❖ The EITI website was maintained to disseminate information on the results and process of EITI implementation

Implementation of the items (activities) made it possible to achieve the objectives set out in the Plan, including discussion of the EITI Report 2021, approval of the EITI Report 2021, filling in and development of the EITI online platform, as well as positive changes in building capacity of the Government and companies in Ukraine to implement the EITI; and measures were taken to achieve the status of the country that meets the EITI requirements.

Due to the invasion of Ukraine by Russian troops, the progress of the EITI implementation has somewhat slowed down but has not stopped.

Table 1: Status of implementation of the EITI Action Plan objectives for 2021

National priority	Objective	Status	Comments
1. Improving transparency and data disclosure in extractive industries	Objective 1.1. The EITI Report 2021 published	Partially completed	The EITI Report for 2021 has been presented. Public dissemination is limited for security reasons
	Objective 1.2. Integration of the EITI into government systems	Not completed	Provisions on the EITI MSG have not been updated. The material terms of PSA agreements have not been made public. Information on ultimate beneficial owners has not been unified.
	Objective 1.3. Other measures within the framework of EITI implementation in Ukraine	Partially completed	The annual Progress Report and Action Plan for 2022 were published. There were no discussions among the EITI MSG on implementation of the EITI Report recommendations and validation.
	Objective 1.4. Capacity building for the EITI stakeholders	Partially completed	The National Secretariat is not organizationally developed and cannot support activities of the EITI MSG. The workshops, trainings for stakeholders, including trainings on how to use the EITI platform were organized. <i>(the list is provided in Annex 1).</i>
2. Strengthening partnerships between the national	Objective 2.1. Outreach in the regions	Not completed	There was no active work in the regions. The list of activities can be found in Annex 1.

government, local self-governments, companies and local communities to reduce tensions			The process of establishing regional EITI MSGs has been suspended
	Objective 2.2. Effective implementation of the communication strategy	Not fulfilled	There was no active work in the regions and in the City of Kyiv. The list of events can be found in Annex 1.

Evaluation of work against the EITI requirements

Assessment of each individual requirement in terms of progress towards achieving and/or maintaining compliance with each of those EITI requirements (Requirement 7.4(a)(ii)). This should include any actions taken to address issues such as revenue sharing (5), revenue collection (4), socio-economic costs (6), legal and institutional framework, including contracting and licensing (2), and also exploration and production (3).

The EITI MSG can evaluate compliance using the table below:

Requirements:	Progress:
<i>Oversight by the Multi-Stakeholder Group (requirement 1)</i>	In 2022, the EITI MSG adopted the following important documents: The EITI Report 2021, The 2023 Action Plan, and The 2021 Progress Report. Currently, the EITI Ukraine continues to pilot the online portal for submission of the EITI data.
<i>Legal and institutional framework, including contracting and licensing (requirement 2)</i>	Pursuant to Article 13 of the Constitution of Ukraine, subsoil and natural resources located within the territory of Ukraine, natural resources of its continental shelf and exclusive (maritime) economic zone are the assets owned by the Ukrainian people. On behalf of the Ukrainian people, the rights of the owner are exercised by state authorities and local self-government bodies within the mandate determined by the Constitution. The legislative and institutional framework of Ukraine's extractive industries is described in Section 6 of the EITI Report 2021. Ukraine has a law on mandatory disclosure of beneficial ownership of companies regardless of their belonging to certain industries.

	<p>Ukraine's EITI Report discloses information on beneficial owners of extractive companies in Section 6.6.3 and Annex 6. The data was provided according to the information contained in the Unified State Register of Legal Entities and Individual Entrepreneurs. The reporting template also contained a request to the reporting entities to provide the relevant information.</p> <p>The issue of contract disclosure is one of the key issues on the EITI agenda at the international level.</p> <p>A copy of the agreement (along with the works program and license) is published on the state Service of Geology and Subsoil's website, but this information was concealed from public access due to the introduction of martial law. Production sharing agreements and joint venture agreements remain closed.</p>
<i>Exploration and production (requirement 3)</i>	<p>The share of the state in Ukraine's oil and gas industry is the highest among all extractive industries. The state, represented by the Cabinet of Ministers of Ukraine, owns 100% of the shares of NJSC Naftogaz of Ukraine and NJSC Nadra of Ukraine.</p> <p>Oil and gas production in 2021 decreased by 2.20% and 2.01%, respectively, compared to 2010. Significant volumes of oil production were observed in Sumy and Ivano-Frankivsk regions, and that of natural gas and gas condensate in Poltava and Kharkiv regions.</p>
<i>Revenue collection (requirement 4)</i>	<p>In the 2021 Report, 57 significant companies were identified, but no reconciliation of payments was performed.</p> <p>In order to determine the list of reporting extractive industries, the Independent Administrator compiled a list of all extractive industries according to the general Classification of Economic Activities (NACE-2010). The list was included into the request filed to the Government Tax Service for tax and other payments to the Government. This mentioned part of the request asked the STS to provide information on tax and other payments to the Government by types of economic activities according to NACE-2010, which are related to the extractive industry and pipeline transport.</p>
<i>Revenue sharing (requirement 5)</i>	<p>At all stages of the budgetary process, audit and evaluation of the effectiveness of budget funds management were carried out, as well as control over compliance with the budget legislation. The Accounting Chamber monitored the receipt of funds to the Government Budget of Ukraine and their use, publishing relevant reports on its website. The Unified Web Portal for the Use of Public Funds also allows tracking the state budget expenditures in real time</p>

	(search by budget entities, specific transactions, regions, etc.). State financial control aimed at verifying compliance with the budget legislation, including audits of the lawful and efficient use of the national or municipal funds and property, and implementation of the state budget programs, is carried out by the state Audit Service of Ukraine. Information on the distribution of tax revenues between budgets of different levels is provided in Section 6.5. of the EITI Report 2021
<i>Social and economic costs (requirement 6)</i>	Extractive companies provide the relevant information in accordance with the reporting forms approved by Resolution of the Cabinet of Ministers of Ukraine # 858 dated 23.09.2020. These reporting forms do not provide for the distribution of expenses for social and charitable purposes by their target areas. Ukrainian legislation does not contain the concept of "mandatory social expenditures of extractive companies" and does not provide a list of cases when such expenditures of extractive companies (other than the payment of the unified social tax) may be mandatory.
<i>Outcomes and impact (requirement 7)</i>	The UAEITI team pays considerable attention to public awareness in order to understand what the figures in the EITI Report mean and encourages public debate on the effective use of revenues from natural resources. In 2022, such activities were limited for security reasons. The list of public events in Kyiv and extractive regions can be found in Annex 1.

Description of progress in meeting other EITI requirements

Requirement of the EITI Standard	Report Section
2.1	<p>Description of the regulatory framework and fiscal regulation of the extractive industries, as well as the main areas of reform are presented in Section 6 of the Report, namely</p> <ul style="list-style-type: none"> ● Overview of the legislation governing the extraction of mineral resources including regulations on taxation of extractive industries - Section 6.1 ● Functions and powers of public authorities - Section 6.2, Annex 4 ● Reforming the regulatory and fiscal regime of the extractive industry - Section 6.3

Requirement of the EITI Standard	Report Section
	<ul style="list-style-type: none"> ● Access to information on beneficial owners of legal entities - Section 6.4 ● Fiscal regime, including information on tax revenues to budgets of different levels (tax decentralization) - Section 6.5 ● Regulatory regime - Section 6.6, including: <ul style="list-style-type: none"> ○ Information on the Register of Special Permits for Subsoil Use and the Procedure for Their Granting - Sections 6.6.1 and 6.6.2 ○ Review of extractive industries and other mining-related contracts - Sections 6.6.3 and 6.6.4 ○ Use of the local component in the extractive industry - Section 6.6.5 ○ Interaction between extractive companies and local communities - Section 6.6.6
2.2	<p>Section 6.6.2 describes the procedure for granting special permits for subsoil use (including the types of subsoil use for which permits are granted, procedures and order for obtaining permits, criteria for granting permits, etc.)</p> <p>Information on the auctions for sale of special permits for subsoil use held in the reporting year and the winners of those auctions is provided in Annex 7.</p> <p>Sections 6.6.3-6.6.5 describe the procedure for concluding various types of contracts in the extractive industry (PSAs, JVAs, concession agreements).</p> <p>Information on the current and planned reforms in these areas is provided in Section 6.3.</p>
2.3	Information on the register of special permits for subsoil use and the data available in such register is provided in Section 6.6.1 .
2.4	<p>Information on contracts in the extractive industries and requirements for their disclosure including information on concluded contracts and tenders for the conclusion of new contracts (where applicable), and information on taxation of activities under such contracts is provided in Sections 6.6.4 and 6.6.5.</p> <p>Information on the reforms on disclosure of contracts in the extractive industries is provided in Section 6.3.</p>

Requirement of the EITI Standard	Report Section
2.5	<p>Information on the public policy for disclosure of information on the ultimate beneficial owners (controllers) of companies in the extractive industries, as well as information on such persons contained in the Unified State Register, is set out in Section 6.4.</p> <p>Information on the ultimate beneficial owners (controllers) of reporting organizations according to the Unified State Register is provided in Annex 3.</p>
2.6	<p>Information on the state's participation in the extractive industries is provided in Section 7 and Annexes to the Report.</p> <p>Requirement 2.6 a) i):</p> <ul style="list-style-type: none"> ● Definition of "state-owned enterprises" (SOEs) - Section 7.1 ● Explaining the role of state-owned enterprises in the extractive industries - Section 7 ● Rules and relationships between state-owned enterprises and the state: <ul style="list-style-type: none"> ○ rules on financing the activities of state-owned enterprises - Section 7.3.1 ○ information on retained earnings, reinvestments and external financing - Section 7.3.1, Section 7.3.2 ○ rules on the share of dividends and payment of part of net profit by state-owned enterprises - Section 7.3.1, 7.4.1 ○ information on dividends - Section 7.4.2, Annex 9 (Section 9.9) ● Functions of state-owned enterprises and payments by business entities to state-owned enterprises - Section 7.6. <p>Requirement 2.6 a) ii):</p> <ul style="list-style-type: none"> ● State share in the authorized capital of extractive enterprises - Section 7.2.1 ● Rules on the state's liability for covering the costs of state-owned enterprises - Section 7.2.2 ● Scope of the state's liability for obligations of extractive companies - Sections 7.2.1, 7.2.2, Annex 2 ● The role and responsibility of the state under PSAs and JVAs - Sections 6.6.3, 6.6.4, 7.2 ● Loans and government guarantees for loans - Section 7.5.3

Requirement of the EITI Standard	Report Section
	<ul style="list-style-type: none"> ● Overview of the types of the Government payments to state-owned enterprises (including state support and state aid) - Section 7.5 <p>Requirement 2.6 b):</p> <ul style="list-style-type: none"> ● Information on the audit and disclosure of financial statements of state-owned enterprises - Section 4.3 ● Financial statements and independent auditor's reports of extractive state-owned enterprises (requirement 2.6 b) - Annex 8 <p>Requirement 2.6 c):</p> <ul style="list-style-type: none"> ● State policy in the field of management of public sector entities, including current and planned reforms in the field of public administration - Section 7.7 <p>Unless otherwise noted, the contextual information, in particular on the state involvement in extractive industries, refers only to companies that have been identified as significant and are included in the scope of reconciliation of payments to the Government (Annex 2).</p>
3.1	Information on significant exploration activities is provided in each Section devoted to a particular industry, namely: 5.1.2, 5.2.2, 5.3.2, 5.4.2, 5.5.2, 5.6.2, 5.7.2, 5.8.2, 5.9.2.
3.2	<ul style="list-style-type: none"> ● Information on mineral reserves is provided in Section 5, namely: 5.1.1, 5.2.1, 5.3.1, 5.4.1, 5.5.1, 5.6.1, 5.7.1, 5.8.1, 5.9.1. ● Information on the volumes of extraction (in natural units) of minerals is provided in Section 5, namely: 5.1.3.1, 5.2.3.1, 5.3.3.1, 5.4.3.1, 5.5.3.1, 5.6.3.1, 5.7.3.1, 5.8.3.1, 5.9.3.1. ● Information on the value of extracted minerals is provided in Section 5, namely: 5.1.3.2, 5.2.3.2, 5.3.3.2, 5.4.3.2, 5.5.3.2, 5.6.3.2, 5.7.3.2, 5.8.3.2, 5.9.3.2.
3.3	Information on exports and imports is provided in Section 5 , namely: 5.1.4, 5.2.5, 5.3.4, 5.4.4, 5.5.4, 5.6.4, 5.7.4, 5.8.4, 5.9.4. Official statistics do not contain disaggregated information on exports and imports of minerals covered by the EITI Report 2020 by regions of Ukraine.
4.1	Information on taxes and other state revenues from the extractive industries is presented in Section 9 , as well as in Annexes 9, 10, 11.

Requirement of the EITI Standard	Report Section
	Information on tax and other state revenues from all extractive companies (those subject to reconciliation and those whose revenues were determined to be insignificant) for all types of payments is available at http://eiti.org.ua/ , https://menr.gov.ua/ , https://data.gov.ua/ .
4.2	In Ukraine, mechanisms for transferring part of the extracted products to the state are not used. This was enshrined in the decision of the EITI MSG dated October 1, 2021. At the same time, the questionnaires for extractive companies included relevant questions and the results of the survey did not reveal any facts of transferring a share of the extractive companies' profits to the Government.
4.3	In Ukraine, mechanisms of barter and infrastructure agreements with the state are not used. This was enshrined in the EITI MSG decision dated October 1, 2021. At the same time, the questionnaires for extractive companies included relevant questions and the survey results has not revealed any facts of barter agreements between extractive companies and the state.
4.4	<p>Information on oil and gas transmission, including transit activities, is provided in Section 5.2.4.</p> <p>Section 5.2.4 discloses information on the revenues of the gas transmission system operator and the oil transmission system operator by paying companies, as well as information from reporting extractive companies on payments to the gas transmission system operator and the oil transmission system operator.</p> <p>The data on routes (requirement 4.4 I.) cannot be disclosed due to technical specifics of the gas and oil transportation system in Ukraine.</p>
4.5	<ul style="list-style-type: none"> ● Information on transfer payments (grants, subsidies, subventions) from the Government to extractive state-owned enterprises - Sections 7.5.1 and 7.5.2, 6.5.2 ● Information on dividends paid by extractive state-owned enterprises - Section 7.4.2.2 (dividends of subsidiaries of NJSC Naftogaz), Section 9.2 (general reconciliation results), Annex 9 (subsection 9) (detailed reconciliation results for each extractive company that paid dividends in 2020) ● Relationship between the state and state-owned enterprises under the PSAs, concession agreements, PSAs - Sections 6.6.3, 6.6.4, 7.2

Requirement of the EITI Standard	Report Section
	<ul style="list-style-type: none"> • Payments from extractive companies to state-owned enterprises were determined to be insignificant and not subject to disclosure (according to the decision of the EITI MSG dated 20.11.2020). <p>According to the survey, no cases of loans provided by reporting state-owned enterprises in favor of other reporting state-owned enterprises were identified.</p> <p>Overview of the types of payments by state-owned enterprises to the Government - Section 7.4.2</p>
4.6	<p>Based on the results of feasibility study and decisions of the EITI MSG, the Report covers the following subnational payments, which are described in the respective sections, namely</p> <ul style="list-style-type: none"> • income tax - Section 9.3.2, Annex 9 (Section 9.2) • personal income tax and fee - Section 9.3.1, Annex 9 (Section 9.1); • land tax paid by legal entities - Section 9.3.7, as well as Annex 9 (Section 9.6); • environmental tax - Section 9.3.8, Annex 9 (Section 9.8); • rent payments for the extraction of minerals of national importance (part of the total rent for the subsoil use) - Section 9.3.3, Annex 9 (Section 9.3). <p>Information on the distribution of tax revenues between the budgets of different levels in terms of a specific tax/fee is provided in Section 6.5.</p>
4.7	<p>The Report provides disaggregated information on state revenues from extractive industries:</p> <ol style="list-style-type: none"> 8. by types of payments and reporting companies - Section 9, Annexes 9, 11 9. on certain types of payments and project activities of reporting companies - Annex 10
4.8	<p>The EITI Report 2020 was published in January 2022</p>
4.9	<p>Information on disclosure and availability of audited financial statements in accordance with international standards is provided in Annex 8. For more details on the audit procedures in extractive companies and state agencies, see Section 4.3.</p> <p>According to the EITI MSG decision of October 1, 2021, the data completeness and reliability is verified:</p> <ul style="list-style-type: none"> • On the part of extractive companies (private and state-owned) - by signatures of senior officials of those companies guaranteeing the

Requirement of the EITI Standard	Report Section
	<p>correctness of the data provided, and/or the opinions of an external auditor on the data provided (if such opinions are available), for each company.</p> <p>If extractive companies submit the Report on payments to the Government in electronic form through the EITI electronic system, the accuracy of the data will be verified by a qualified electronic signature of the relevant officials of such extractive companies.</p> <ul style="list-style-type: none"> • On the part of central and regional authorities - signatures of senior officials of the relevant authority, as well as the principles of interaction between different authorities.
5.1	Information on the distribution of tax revenues between the budgets of different levels is provided in Section 6.5, Section 9.
5.2	Information on the distribution of tax revenues between the budgets of different levels is provided in Section 6.5, Section 9.
5.3.	Description of the budget process in Ukraine, as well as an overview of the requirements for auditing and evaluating the effectiveness of budget management, are provided in Section 6.7.
6.1	<p>Information on social expenditures of companies and types of quasi-fiscal expenditures of state-owned enterprises is provided in Sections 6.6.5 and 6.6.6.</p> <p>Information on actual expenditures of extractive companies for social and environmental purposes is provided in Section 5.10.3.</p> <p>Ukrainian legislation does not contain the concept of "mandatory social expenditures of extractive companies" and does not provide a list of cases when such expenditures of extractive companies (other than the payment of the unified social tax) may be mandatory.</p>
6.2	<p>Information on social expenditures of companies and types of quasi-fiscal expenditures of state-owned enterprises is provided in Sections 5.10.3, 6.6.5 and 6.6.6.</p> <p>Information on quasi-fiscal operations of natural gas producers is provided in Section 5.11.1.</p>
6.3	Information on the contribution of extractive industries to the country's economy is provided in Section 5.10.
6.4	Information on the environmental impact of extractive industries is provided in Section 8, in particular:

Requirement of the EITI Standard	Report Section
	<ul style="list-style-type: none"> ● general overview of the environmental legislation - Section 8.1.1 ● roles and responsibilities of the relevant state authorities - Section 8.1.2 ● obligations to protect the environment, including its rehabilitation and recovery - Section 8.1.3 ● information on management and monitoring of the extractive industry's impact on the environment, including natural resource databases, measures to minimize negative environmental impact, and measures to ensure minimization of negative environmental impact - Section 8.1.4 ● control over compliance with the environmental legislation and sanctions provided for by the law for violation of environmental regulations - Section 8.2 ● statistical data on the environmental impact of extractive industries and their expenditures for environmental protection - Section 8.3

Brief description of the EITI MSG's feedback on the authorization process recommendations (if applicable)

In line with Requirement 7.2 (a) (iii), provide a brief description of the EITI MSG's response and progress made in addressing the reconciliation and authorization recommendations in accordance with Requirement 7.1. The EITI MSG is proposed to list all recommendations and relevant actions taken to address them. The EITI MSG may reflect how the Action Plan has been modified to address the recommendations.

Strengths and weaknesses identified in the course of EITI implementation:

Provide an overall account of efforts to strengthen the EITI implementation, including any actions to improve the detail and coverage of EITI Reports and to enhance stakeholder engagement (Requirement 7.4(a)(v)).

The multi-stakeholder group may include the following information on:

- *Improving the coverage of EITI Reports and how they reflect the objectives set out in the Action Plan;*
- *Ensure that the EITI Reports contribute to public debate and improve public understanding of the EITI process;*
- *Raising awareness and supporting stakeholder capacity building;*
- *Description of weaknesses identified in the EITI process and actions to address them.*

The EITI Report 2021 is the eighth report of Ukraine, which covers 9 extractive industries of Ukraine (oil and gas, coal, iron ore, titanium, manganese, refractory clay, high-melting clay, quartz sand, and construction stones) and the oil and natural gas transmission industry.

The EITI Report 2021 contains information on mineral reserves, volume and cost of their extraction, exports and imports, exploration activities; the role of the state in extractive industries; regulatory and fiscal regulation of extractive industries; contribution of extractive industries to the Ukrainian economy; social and charitable payments by extractive companies and environmental impact of extractive industries; data on tax and other payments, etc.

The following positive features of the EITI implementation should be distinguished:

- Government support - funds from the state budget for drafting of the EITI Report for 2021;
- Creation of the online EITI platform for reporting by companies and government agencies;
- Active and visible participation and support of the civil society;
- Availability of an open register of beneficial owners and relevant legislation providing for disclosure of data on them;
- Sustained dialog with international donors;
- GIZ support for the EITI implementation in Ukraine (experts, online platform, projects);
- The Ministry has an expert group that deals with the EITI implementation in Ukraine.

The following weaknesses in the EITI implementation process were identified in 2022:

- Ensuring stable operation of the EITI portal (hosting or physical servers);
- Institutionalization of the EITI National Secretariat;
- Lack of meaningful communication with local self-governments in the mining regions;
- Delay in approving data exchange protocols between the Ministry of Energy, the State Tax Service and the State Service of Geology and Mineral Resources to implement the agreements signed on sharing of information.

The EITI multi-stakeholder group sees the following ways to address these weaknesses:

- Implementation of the Law of Ukraine # 1974 "On Amendments to Certain Legislative Acts of Ukraine on Ensuring Transparency in Extractive Industries".
- Implementation of the EITI in electronic format - active use of the online platform for reporting and disclosure of the EITI data.
- Establishment of effective communication with communities and creation of the regional EITI Multi-Stakeholder Groups in extractive regions based on the example of Lviv oblast.
- Support of the EITI implementation process by international organizations.

Total implementation costs:

The EITI MSG may include information on the costs associated with the EITI implementation. This may include a comparison of total costs with those in the Action Plan and a breakdown by funding party and budget line item. Data on the number of staff of the National Secretariat.

The EITI Report 2021 was drafted in accordance with the Law of Ukraine "On Ensuring Transparency in Extractive Industries" and financed from the general fund of the State Budget in the amount of UAH 1.6 million. At the same time, a brief version of the Report was not prepared and translated into English.

At the Ministry of Energy, the Expert Group on Resource Efficiency and Transparency in Extractive Industries of the Directorate for Energy and Resource Efficiency Policy Development is responsible for the EITI implementation in Ukraine. In addition, in

2022, with the support of GIZ, NGO NOVA Energia provided support to the EITI Portal at the stage of submission of reports by business entities.

In addition, support for the EITI implementation was provided by the International Renaissance Foundation, the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH and the United States Agency for International Development (USAID). Those funds were used to develop the EITI online platform and portal hosting, organize events at the regional and central levels, issue publications, develop legal framework, and strengthen the capacity of EITI Multi-Stakeholder Group.

Other additional comments

Has this report been discussed outside the EITI MSG?

In accordance with Requirement 7.2 (b), all stakeholders should be able to participate in drafting of the annual progress report and review of the EITI implementation. Civil society and industry groups involved in the EITI, not limited to those who are members of the EITI MSG, should be able to comment on the process and their views should be reflected in the annual progress report.

Yes, this Report was sent for discussion by the members of the EITI Multi-Stakeholder Group in October 2023.

The Progress Report for 2022 was approved at the EITI MSG meeting on October 27, 2023, after it had been agreed with the EITI MSG members.

Annex 1. List of the EITI events in Ukraine in 2022

№	Date	Activity	Organizer	Donor	Project name
1.	21.01.2022	Online information session "Regional Multi-Stakeholder Group of the EITI in Lviv Oblast: what is it and why do we need it?"	NGO NOVA Energia in partnership with the Agency for Local Economic Development of Yavoriv District and the Department of Fuel and Energy Complex, Energy Efficiency and Housing and Communal Services of the Lviv Regional State Administration	GIZ	Good Public Finance Governance III
2.	08.02.2022	Online conference "Role of the Extractive Industries Transparency Initiative in transformation of Ukraine's energy sector"	NGO "DiXi Group"	Ministry of Energy of Ukraine, National Secretariat of the Extractive Industries Transparency Initiative, International Renaissance Foundation, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, USAID	Transparency in the Energy Sector
3.	20.05.2022	Online event "Experience of advocacy and	NGO "DiXi Group"	PWYP	Strengthening the conditions for

		implementation of open contracting practices in Ukraine, Kazakhstan, Kyrgyzstan and Azerbaijan"			contracting in the extractive industries of Eurasia by intensifying cooperation between non-governmental organizations in the region
4.	10.06.2022	Online webinar "The role and place of regional CSOs in the implementation of EITI standards and principles"	Local Economic Development Agency of Yavoriv district	PWYP	Ukraine: Supporting greater gender equality in the extractive sector
5.	21.06.2022	Online training "Report on payments to the state: peculiarities of online submission in 2022".	NGO "NOVA Energia"	GIZ	Good Public Finance Governance III
6.	11.07.2022	Analytical document "The process of disclosure of mining contracts: key stages, hidden threats and risks"	NGO "DiXi Group"	PWYP	Strengthening the conditions for opening contracts in the extractive industries in Eurasia through enhancing cooperation between CSOs in the region
7.	13.07.2022	Online discussion "The process of disclosure of material terms of PSAs needs to be improved"	NGO "DiXi Group"	PWYP	Strengthening the conditions for opening contracts in the extractive industries in Eurasia through enhancing cooperation between CSOs in the region
8.	15.09.2022	Round table "Is industrial pollution reform possible in times of war?"	NGO "DiXi Group"	USAID	Transparency in the Energy Sector
9.	25.08.2022	Online training "Report on payments to the state: peculiarities of online submission in 2022"	NGO "NOVA Energia"	GIZ	Good Public Finance Governance III

10.	05.10.2022	Strategic session on development of the Ukrainian Extractive Industry Data Portal	NGO "NOVA Energia"	GIZ	Good Public Finance Governance III
11.	12.10.2022	Online presentation of the study "Shedding light on gender issues in mineral resources management: analysis of Ukrainian policies and legislation on gender equality in mineral resources management"	Association "EnergoTransparentnist"	PWYP	Ukraine: Supporting gender equality in the extractive sector
12.	13.10.2022	Online workshop on development of the Electronic System for EITI Analysis and Reporting (EITI Portal)	NGO "NOVA Energia"	GIZ	Good Public Finance Governance III

Annex 2. Recommendations of the Independent Administrator on the EITI Report and implementation process and status of their implementation

#	Recommendation	Comments of the Independent Administrator	EITI MSG comments
1		<p><u>The recommendation has been implemented partially.</u></p> <p>As of December 2021, the EITI platform contained Guidelines for business entities describing the approach to reflecting payments to the state and subsoil use rent payments for the reporting period. Currently, there are no guidelines for public authorities. At the same time, the mechanism for submitting, processing, displaying and providing explanations by public authorities is not fully functional on the platform.</p> <p>At the time of preparation of this Report, discussions are ongoing between representatives of the Ministry of Energy of Ukraine and representatives of the state Tax Service of Ukraine on the exchange of data between the STS and the EITI platform.</p>	
2		<p><u>The recommendation has not been implemented.</u></p>	
3		<p><u>The recommendation has been implemented partially.</u></p> <p>With the adoption of the Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine on Ensuring Transparency in Extractive Industries" # 1974-IX of December 16, 2021, the term "politically exposed persons" was defined, which corresponds to Requirement 2.5 of the EITI Standard, as well as the term "quasi-fiscal operations". The list of additional information to be disclosed by public sector entities (quasi-fiscal operations, amount of subsidies and grants, amount of payments for carbon dioxide emissions) was specified.</p>	
4	Clarify that in the case of public authorities, "recipients of payments" are "bodies that control the collection of budget revenues" by budget classification codes that are related to payments for the purposes of the EITI Law.	<p><u>The recommendation has not been implemented.</u></p>	
5	Establish a legal deadline for disclosure of reports on payments received by payment recipients, taking into account that sufficient time is needed to prepare the EITI	<p><u>The recommendation has not been implemented.</u></p>	

#	Recommendation	Comments of the Independent Administrator	EITI MSG comments
	Report (including reconciliation of payments)		
6	Provide the Independent Administrator with the capability at the level of the EITI Law to additionally request and clarify not only "information on payments" but also other information needed for drafting the EITI Report and required for disclosure under the EITI Law	<u>The recommendation has not been implemented.</u>	
7	Stipulate a clear obligation to disclose material terms of subsoil use contracts (agreements) concluded and/or amended before the EITI Law came into force, ensure actual disclosure of such information on the website of the Ministry of Energy, and provide methodological recommendations on the approach to its disclosure	<p><u>The recommendation has not been implemented.</u></p> <p>Despite the amendments to the EITI Law adopted in 2021, the obligation to disclose material terms of subsoil use contracts (agreements) concluded and/or amended before the EITI Law came into force has not been introduced.</p> <p>As of the date of preparation of this Report, no guidelines have been developed for disclosure of material terms of subsoil use agreements.</p>	
8	Bring the EITI Law in line with the updated Requirement 2.4 of the EITI Standard, including the obligation to disclose full texts of subsoil use agreements to be concluded and/or amended from January 1, 2021	<p><u>The recommendation has been implemented partially.</u></p> <p>The Law provides for disclosure of copies of subsoil use contracts (agreements) - in respect of contracts (agreements) concluded from the date of entry into force of the Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine on Ensuring Transparency in Extractive Industries" (15.01.2022), as well as any amendments thereto.</p>	
9	Facilitate access to information on the key EITI aspects, in particular technical information on mineral reserves, especially titanium ores	<u>The recommendation has not been implemented.</u>	
10	Implement a unified methodology for estimating mineral reserves, which will be harmonized with the best international practices, for example, based on the international template for reporting the results of exploration, mineral	<u>The recommendation has been implemented.</u>	

#	Recommendation	Comments of the Independent Administrator	EITI MSG comments
	resources and reserves (CRIRSCO Template).		
11	Develop technical and methodological recommendations for extractive companies and government agencies on how to enter information into the EITI online platform.	<u>The recommendation has been implemented.</u>	
12	Integrate information on the role of the state into the EITI online platform.	<u>The recommendation has been implemented.</u>	
13	Consider the feasibility of conducting a separate study to identify possible additional quasi-fiscal operations specific to extractive companies in Ukraine in order to include information on such operations in the EITI reporting forms and fulfill Requirement 6.2 of the EITI Standard	<u>The recommendation has not been implemented.</u>	
14	Eliminate outdated references to the Procedure for Ensuring Transparency in Extractive Industries approved by the CMU from Ukrainian legislation (e.g., the Subsoil Code, the Oil and Gas Law) and bring them in line with the EITI Law	<p><u>The recommendation has been implemented.</u></p> <p>Article 11 of the Subsoil Code is supplemented by part two according to Law # 521-VIII dated 16.06.2015; as amended by Law # 1974-IX dated 16.12.2021; and part two of Article 24 is supplemented by paragraph 4¹ according to Law # 521-VIII dated 16.06.2015; as amended by Law # 1974-IX dated 16.12.2021.</p> <p>Article 5 of the Law of Ukraine "On Oil and Gas" is supplemented by paragraph eighteen according to Law # 521-VIII of 16.06.2015; as amended by Law # 124-IX of 20.09.2019; and part two of Article 20 is supplemented by paragraph six according to Law # 521-VIII of 16.06.2015; as amended by Law # 1974-IX of 16.12.2021.</p> <p>All amendments relate to the EITI Law and remove outdated references to the Procedure for Ensuring Transparency in Extractive Industries approved by the CMU.</p>	
15	Improve the process of data collection for project-based reporting under the EITI Standard by amending the EITI Law and reporting forms	<u>The recommendation has not been implemented.</u>	
16	Consider introducing appropriate regulatory changes to the budget system of Ukraine so that the flow	<u>The recommendation has not been implemented.</u>	

#	Recommendation	Comments of the Independent Administrator	EITI MSG comments
	of payments from extractive companies can be tracked (both on the way to the state budget and at the stage of redistribution through intergovernmental transfers to local budgets)		
17	Unify and simplify access to information on the volumes of mineral extraction	<u>The recommendation has not been implemented.</u>	
18	Make disaggregated information on the cost of extraction of individual extractive industries publicly available	<u>The recommendation has not been implemented.</u>	
19	Ensure full functioning of the EITI online platforms, including: - reporting by public authorities of information on payments received from extractive companies through the EITI online platform; - making technical improvements that would allow consolidating, filtering by various criteria and processing information from all extractive companies.	<u>The recommendation has been implemented partially.</u> At the time of preparation of this Report, technical testing of the new features of processing and visualization of data submitted by business entities on the EITI online platform is ongoing. The process of reporting by state agencies on payments received from extractive companies through the online platform is currently being finalized.	
20	Continue centralizing and publishing information within the state platform "EcoSystem" to facilitate access to information on the environmental impact of extractive industries	<u>The recommendation has been implemented partially.</u>	
21	Provide the possibility to search for the results of inspections of business entities by the State Ecological Inspectorate with a breakdown by type of economic activity	<u>The recommendation has not been implemented .</u>	