

REFORMS IN OIL AND GAS SECTOR



ABOUT THE CHAMBER

The American Chamber of Commerce in Ukraine (Chamber) is among the most active and effective non-government, non-profit business organizations operating in Ukraine. One of the principal activities of the Chamber is to represent the internationally oriented investment community as well as to facilitate the entrance of potential new investors into this market. The Chamber advocates on behalf of its member companies who are from more than 50 nations across the globe not only to the Ukrainian government, but also to all other governments, which are economic partners of Ukraine, on matters of trade, commerce, and economic reforms. The Chamber's diverse Membership base unites companies from a variety of regions and countries, including North America, Europe, Asia, CIS, and Ukraine. The Member organizations represent the largest strategic and institutional investors operating in Ukraine who have committed a majority of the foreign direct investment into this market. The Chamber cooperates closely with the Ukrainian authorities to improve the business environment and attract domestic and foreign investment into the economy, advocate for predictable, transparent, equitable and stable rules of doing business and promotes Ukraine's integration into the larger global community.

The Chamber Energy Committee has been successfully operating for many years within the Chamber with the main mission to represent and protect interests of the leading energy companies as well as promote the further development and modernization of Ukraine's energy sector by attracting investment, in support of the vision of a more energy self-reliant Ukraine.

LIST OF ACRONYMS

CMU — Cabinet of Ministers
 DZI — SC "Derzhzovnishinform"
 GTS — Gas Transportation System
 EEC — European Energy Community
 E&P — Exploration and Production
 IFRS — International Financial and Reporting Standards
 MECl — Ministry of Energy and Coal Industry
 MENR — Ministry of Ecology and Natural Resources
 MP — Member of Parliament
 NBU — National Bank of Ukraine
 O&G — Oil and Gas
 PSA — Production Sharing Agreement
 SAB — State Authorized Body
 TRP — Residence Permits
 WP — Work Permits

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REFORMS IN OIL AND GAS SECTOR

Recent enforcement of the EU-Ukraine Association Agreement and an absolute priority for Ukraine to increase energy security are encouraging preconditions to start a radical reform in the oil & gas sector to make it more efficient and at the same time attractive for the benefit of both the State and investors. Development of competitive, transparent and non-discriminatory energy markets in convergence with EU rules and standards through regulatory reforms is one of key milestones of energy cooperation between EU and Ukraine according to art. 338 of Association Agreement.

Energy reform, deregulation are among key priorities for 2020 reforms action plan of the President of Ukraine Petro Poroshenko (Eng Ukr). Energy sufficiency is one of two programs of this Action Plan.

Chamber member companies also welcome Energy part of Coalition Agreement signed on November 21, 2014 and which has been recognized by many experts as well prepared, and it is a great pleasure that it corresponds to the main priorities set forth in this White Paper.

We also welcome deregulation initiatives of EASYBUSINESSinUA in Oil and Gas which correspond to our top priorities and express our willingness to contribute to this initiative to reach our common goals. We recognize the leading roles of State Geological Service and Customs Service, with Chamber support, in liberalization of geo data export since October 22, 2014 and we expect for continuation of its support of reforms agenda.

It is true that not only international companies compete amongst themselves to get access to the minerals all over the world; it is equally true that countries do compete with each other to attract investments in exploration as well as promote their geological potential. International oil & gas operators support the reforms and propose the possible action plan based on best international oil & gas regulatory practices and local experience to increase attractiveness of Ukrainian economy on world scale.



GAS MARKET REFORMS IN UKRAINE

Cooperation in the framework of the Treaty Establishing the Energy Community of 2005 is the essence of Ukrainian obligation between EU and European Energy Community according to Association Agreement and is a basis for reforms in gas market sector. Ukraine's obligation to implement 3d energy package before 2015 should provide more competition and more energy security to Ukrainian economy. We believe that gas market reforms should be built on the following principles:

- **Security of Demand for producers and Security of Supply for consumers**

A well-functioning gas market is one that is able to offer producers, retailers and consumers alike a wide variety of choices of selling and purchasing gas. Such choices should include large volume, long-term as well as small volume, shorter term contracts.

An effective framework would be one that includes the possibility of gas imports to and gas exports from Ukraine without undue technical or tax barriers. The ability to export gas will ensure that production can be monetized at times when local market conditions do not allow for it, whilst the ability to import gas, including imports from the European gas markets further West, will increase security of supply when production deviates from planned levels.

- **Market Based Pricing — facilitating large scale investments**

Regulated gas prices are a major impediment to investments into gas production. Prices determined by or under the influence of Government authorities often do not reflect market fundamentals but may be motivated by social or political aspects, thereby creating unintended long-term consequences such as disincentives to invest internationally available capital into infrastructure and gas supply projects in Ukraine.

Market based prices which change as a result of changes in demand and supply are an inherent part of gas producers' business risks and provide important investment signals to the industry. They enable gas to compete with a variety of supply alternatives such as alternative fuels and imported gas.

- **Non-discriminatory Transportation and Storage System Access — establish a Level Playing Field**

Key elements in the establishment of a level playing field for all market participants in Ukraine are the effective and non-discriminatory access to gas transportation, distribution, and storage systems; the determination of available capacities in a transparent and fair manner, securing proper monthly distribution of the nominated volumes of gas supply and unimpeded gas flow to the customers; reliable institutional and functional independence of the GTS operator.

- **Modern Institutional Structure — the backbone of a strong gas market framework**

The regulator must be legally distinct and functionally independent from any other public or private entity and ensure that their staff acts independently from market interest and does not seek or take instructions from public or private entities. The regulator must be independently financed, have autonomy in the implementation of the annual budget, and must have adequate human and financial resources to carry out its duties¹.

¹ Please find the link to full version of Chamber [Position Paper on the future Gas Market Framework in Ukraine in English and Ukrainian](#)

PRIORITY #1

To be implemented before the end of 2014



The above-mentioned issues are the major concerns and critical blockers of the industry; moreover they have a high risk level in terms of corruption and compliance. Implementation of first priority actions will destroy the main obstacles in the mineral resources production industry and will demonstrate the Government's commitments to the development of national energy sphere.

The actions proposed have been widely discussed in all levels, the set of draft projects has been already elaborated; thus their implementation is possible in short term.

1. Prevention from further monopolization of gas market of Ukraine. Abolishment of provisions on mandatory sale of natural gas by private producers to NJSC "Naftogaz of Ukraine" for the price set up by CMU.
2. Stability of taxation of hydrocarbons production in Ukraine.
3. Adoption of new Gas Market Law.
4. Reforming Land Legislation for the needs of Oil and Gas Sector.
5. Normalization of oil and gas wells registration.
6. Adoption of the new Rules for Oil and Gas Fields Development (best international practice and specifics of unconventional activity are to be adjusted).
7. Cancellation of mandatory scientific monitoring and geological expertise.



PRIORITY #2

To be implemented in beginning of 2015

Implementation of actions from the second block will increase attractiveness of Ukraine for international oil & gas investors through creation of a familiar environment of transparency and competitiveness.

The State in turn will enjoy access of wide opportunities and infrastructure development.

8. Effective administering of large infrastructural projects. Effective models for PSA execution.
9. Preparation of permitting guide for the industry based on analysis of current regime, implementation of best permitting models and reduction of bureaucracy.
10. Adoption of a new Subsoil Code (specifics of unconventional activity are to be accommodated).
11. Cancellation of discriminatory provisions of art. 93 of the Code of Civil Protection of Ukraine.
12. Further liberalization of land access legislation (possibility to purchase/rent agricultural land for the purposes of oil and gas industry).
13. Cancellation of special import measures (quotas) for pipe products used for drilling.
14. Creation of geo information database.
15. Effective implementation of Extractive Industries Transparency Initiative (EITI) standard, including drafting of the EITI Report.



PRIORITY #3

To be implemented before the end of 2015



The issues in the third block of the action plan are aimed to improve general investment climate in Ukraine; its implementation will positively influence the “country risk assessment”, a factor that incorporates all the elements impacting the transparency and stability of economic and legal conditions.

16. Liberalization of foreign currency exchange rules.
17. Adoption of IFRS accounting principles.
18. Acceptability to operate at loss for private companies during geological exploration stage.
19. Normalization of oil and gas well tax treatment.
20. Acceptability of tax consolidation among Ukrainian incorporated affiliates.
21. Creation of possibility to use capacities and services of affiliated companies (possibility to buy services without profit elements, deductibility of consulting and engineering services, cancellation of any obstacles in payment for services from abroad).
22. Simplification of employment procedure for non-Ukrainian citizens.



APPENDIX 1

Prevention from further monopolization of gas market of Ukraine. Abolishment of provisions on mandatory sale of natural gas by private producers to NJSC “Naftogaz of Ukraine” for the price set up by CMU.

Background: Cabinet of Ministers adopted Resolution # 596 dated November 07, 2014 “On Procedure of Natural Gas Purchase by Industrial, Energy and Heat Generating Companies (in part of commercial gas volumes)” and on November 26 it has been substituted by Cabinet of Ministers Resolution # 647, hereinafter referred as ‘the Resolution’. On July 04, 2014 the Parliament voted in first reading Draft Law on Extraordinary Period in Fuel and Energy Sector, hereinafter referred as ‘the Draft Law’.

Position: The industry calls for immediate cancellation of the Resolution.

Arguments:

- It contradicts articles 9, 19, 20 and 22 of the Law of Ukraine “On Principles of Natural Gas Market», namely the principles and the rights of market participants to choose freely suppliers of natural gas, free trading of natural gas, ensuring equal access to the Unified gas transportation system of Ukraine, as well as Energy Community Treaty. The Resolution provides NJSC “Naftogaz of Ukraine” with non-competitive preemption rights and is very prejudicial to independent gas suppliers, Ukrainian industrial consumers and private gas producers, including foreign investors;
- The Resolution interferes to the economic activities of private companies in a way that violates the Constitution of Ukraine. The provisions of the Resolution violate the fundamental rule of law on the need to respect the terms of concluded contracts (in particular — art. 526 of the Civil Code of Ukraine, art. 193 of the Commercial Code of Ukraine);
- It also contradicts the principles of free market economy declared in article 3 of EU Association Agreement;
- The Draft Law also doesn’t meet the European practice of addressing energy crisis, for instance in Poland the Government has a possibility to set up priority category of gas consumers in case of energy emergencies but has no right to set up the price of such supply which would be considered as expropriation.

Solution: Cancellation of the Resolution, providing incentives for importers of natural gas with free access to GTS, prevention Parliament from adopting provisions on expropriation of natural gas, include companies (producers, traders and end consumers) to the decision making in particular for addressing possible emergencies in energy sphere in spirit of the provisions of Gas Market Law drafted and presented to Ministry of Energy and Coal Industry by Secretariat of European Energy Community in April 2014.

Decision makers: Ministry of Energy and Coal Industry, Cabinet of Ministers, and Parliament.



APPENDIX 2

Stability of taxation of hydrocarbons production in Ukraine

Background: In 2014 the Government of Ukraine increased taxes on gas production for private companies from 28% to 55% of gross revenue for gas produced from reservoirs shallower than 5,000 meters, and from 14% to 28% for gas produced at a depth of more than 5,000 meters. The tax increase, originally introduced as a temporary measure acting till January 1, 2015, could now be extended. This was the second tax increase announced in 2014, and the fifth in the past four years. As a result, Ukraine now has one of the heaviest tax regimes in Europe at a time when it needs to attract new investors. International company IHS CERA prepared its calculations and comparative taxation model for Ukraine and suggested the Ukrainian Government not to extend the increased fee beyond end 2014. This suggestion was well recognized and supported in IMF recommendations to the Government of Ukraine.

Position: introduce and follow stable taxation policy for hydrocarbons production, avoid prolonged increase of subsoil use fee.

Arguments:

- Profitability of projects on gas production is lower than calculated by the Government as continued investment in both exploration and new field development are not taken into account, as well as increasing complexity of new projects (deeper, complex geology, unconventional etc);
- Suggested increase of taxation will cause companies to reduce exploration programs and disable new projects, which will cause a reduction in investment and respectively reduce volumes of gas produced domestically, which contradicts the stated goal of reaching self-reliance of the country;
- Unpredictable change of taxation undermines investors' confidence and negatively influences investment attraction of the sector.

Solution: 1) to refrain from extending temporary taxation measures beyond 2014, 2) to set up balanced taxation system taking into account geological conditions of the fields and exploration cost.

Decision makers: Ministry of Finance, State Fiscal Service, and the Cabinet of Ministers.

APPENDIX 3

Adoption of new Gas Market Law

Background: Existing Gas Market Law does not meet 3rd energy package requirement which Ukraine committed to implement before 2015 as part of its obligations before the European Energy Community (EEC). EEC offered a draft to MECl in English and in Ukrainian in April 2014, which already contains necessary provisions.

Position: Industry stands for adoption of new Gas Market Law which would add competition and transparency to gas market in Ukraine.

Arguments: The Law will bring the following positive effects:

- Security & stability of supplies inside the country, especially for domestically produced gas, all along the chain “producer — supplier — customer”;
- Strong ban on any revisions of vital gas market principles, inter alia, free access of market players to GTS and available gas resource, free choice of gas supplier for customers, no manipulation with gas resource and restriction for gas owners except for by effective court decision or in technical emergency only (deficit of gas resource in the country);
- Protection from arbitrary interference by the government/ministries/state controlled oil & gas companies/local authorities etc. into normal functioning of gas market, unless in technical emergency only (deficit of gas resource in the country);
- Material liability for wrongdoings on the market for every market player and TSO, strong role of the National Gas Regulator in controlling license holders and stopping suspicious & illegal activities.

Solution: to adopt new Gas Market Law.

Decision makers: National Commission for State Energy and Public Utilities Regulation, Ministry of Energy and Coal Industry, Cabinet of Ministers, and Parliament.



APPENDIX 4

Reforming Land Legislation for the needs of Oil and Gas Sector

Background: Today O&G companies use art. 97 of the Land Code to get access to the land entering into so-called 'drilling' contracts. There are numerous legal drawbacks associated with such drilling contracts:

- There's no procedure in active legislation providing for registration of the "drilling" contracts in the State Register (of immovable property and its encumbrances);
- Don't fit classical notion of land use: — ownership; — lease; — permanent use; — servitude; — emphyteusis; — superficies;
- Existing wording of Land Code triggers considerable burden for the companies to convert land from agrarian into industrial designation and in case of moratorium for conversion of agro land this might block the project;
- There are no sustainable contractual relations between the company and land owner/user in particular in cases of commercial discoveries whereas the risk of increased expectations towards the company matures.

Position: Land plot assignment for building, construction, exploitation and servicing of gas and oil wells should be simplified. The Chamber submitted concrete recommendations and proposals to wording of the respective legislative acts to the Ministry of Energy and Coal Industry. Pool of investors (under the Chamber umbrella) prepared own comments to Draft Law #4042 dated January 28, 2014 (withdrawn from the Parliament, a new Draft Law # 4440a has been registered on August 08, 2014 by MP Oleh Kanivets and expected to be withdrawn again due to 2014 Parliamentary elections).

Arguments:

- Investors are concerned with the lack of legal security under current Land Code provisions: drilling contracts, executed according to art. 97 of the Land Code, usually can not be officially registered within state register;
- Conversion of land designation should be replaced with extended notion of servitude;
- Investors looking forward from the Ministry of Energy and Coal Industry and GoU for their pro-active position on Draft Law #4440a and re-registering it after 2014 Parliamentary elections.

Solution: to re-register Draft Law #4440a and get it adopted by the new Parliament.

Decision makers: Ministry for Energy and Coal Industry, State Land Agency, Cabinet of Ministers, Agrarian Committee, and the Energy Committee of the Parliament.

APPENDIX 5

Normalization of oil and gas wells registration

Background: Ukrainian law doesn't provide a clear position on the legal status of O&G wells. This leads to different interpretations of the law by the various central and regional authorities and different O&G operators, and creates ambiguity and insecurity in the regulatory environment.

- Currently the law mostly interprets O&G wells as objects of real estate, which leads to mandatory state registration of each well as a real estate object, thus creating a practical issue since the real estate registry/regulatory framework is not suitable for registration of O&G wells;
- The same issue applies to linear infrastructure objects like pipelines, grids, roads, telecommunication lines, etc. related to O&G projects.

Position: Aforementioned inconsistency must be removed from the Ukrainian legislation by introduction of respective amendments to Law of Ukraine «On State Registration of Proprietary Rights to Immovable Property and their Encumbrances», Mining Law of Ukraine # 1127-XIV dated October 6, 1999 and Law of Ukraine "On City Development Regulation". Such amendments are partially reflected in Draft Law #3895 that must be re-registered with the new parliament in the amended version unanimously endorsed by the investment community.

Arguments:

- Current ambiguity with the wells registration bears significant risks for private investors and seriously defers implementation of O&G projects;
- Construction, commissioning and exploitation of the O&G wells and related infrastructure should be regulated by relevant subsoil and mining, not by land and construction legislation;
- Investors looking forward to the Ministry of Energy and Coal Industry's and GoU's proactive position on Draft Law # 3895 and re-registering it in the amended version unanimously endorsed by the investment community after 2014 Parliamentary elections.

Solution: to re-register Draft Law # 3895 in the amended version unanimously endorsed by the investment community, and get it adopted by new Parliament.

Decision makers: Ministry for Energy and Coal Industry, Ministry Regional Development & Construction, CMU, Construction/Energy Committees of the Parliament, NJSC "Naftogaz of Ukraine" Ukraine (subsidiary O&G companies).



APPENDIX 6

Adoption of the new Rules for Oil and Gas Fields Development (best international practice and specifics of unconventional activity are to be adjusted)

Background: Ministry of Ecology and Natural Resources (MENR) prepared updated Rules and shared the Draft for public commenting at the end of March 2013. Common position of the PSA/Subsoil Working Group of the Chamber Energy Committee has been prepared in February 2014 and mainly taken into consideration by State Geology Service which took leading role in coordinating the approval efforts. The document received approvals from MENR, State Service for Mining and Industrial Safety (DerzhGirPromNahlyad) addressed some comments, while the Ministry of Energy and Coal Industry (MECI) opposed unconventional part of the Draft at the end of August 2014. State Geology Service hosted a working group to discuss/implement comments from MECI in September 2014 for further approval. After repeating decline from MECI, State Geological Service hosted another meeting with participation of all interested parties in November 2014 and agreed to establish a working group in December to get text of the Draft finalized and to keep separate chapter dedicated to unconventional.

Position: Document should be adopted by the Order of Ministry of Ecology upon consent from the Ministry of Energy and the Ministry of Justice. The value of the document is that it modernizes national regulatory regime for the needs of unconventional as well as gives more clarity with regards to permitting procedures. Industry expects for the Rules to be adopted till the end of 2014.

Arguments: Current Rules are outdated and require codification

- Draft 2013 was excessively prescriptive and the Chamber provided its comments to slightly improve the wording;
- More flexibility is desired for companies in terms of production plans, wells allocation, well write-off decisions, geological reporting procedures (which should be slightly different for unconventional) etc;
- Clear guidelines for the companies on permitting and approval procedure are lacking. Wells should not be considered as construction objects and more clarity should be given to permitting procedure;
- Separate chapter is required to address the difference between conventionals and unconventional (pilot duration, co-mingled production, phases (pilot production)).

Solution: Industry expects for the Rules to be adopted till the end of 2014.

Decision makers: State Geology Service, Ministry of Ecology and Natural Resources, State Mining and Safety Authority, Ministry of Energy and Coal Industry, Ministry of Justice.

APPENDIX 7

Cancellation of mandatory scientific monitoring and supervision agreements

Background: According to p. 26 of Resolution of the Cabinet of Ministers of Ukraine #615 “On Approval of the Procedure for Granting Special Permits for the Use of Mineral Resources” dated May 30, 2011), scientific monitoring and supervision of execution of special terms of the subsoil use, foreseen by the special subsoil use permit or agreement on the terms of subsoil use, shall be conducted by the special state geological entities. Procedure of the scientific monitoring and supervision, conducted by State Geology Service (or other entitled state entity) is foreseen in the Order of the Ministry of Ecology and Natural Resources # 96 dated March 11, 2013, providing obligation to submit yearly report on the subsoil use.

According to p. 27 of the said Resolution extension or renewal of special permit is possible upon submission of geological expert review.

Position: Industry stands for elimination of the obligation to enter into scientific monitoring and supervision agreements.

In September 2014, State Geology Service published for public consideration the Draft amending Resolution of the Cabinet of Ministers of Ukraine #615 “On Approval of the Procedure for Granting Special Permits for the Use of Mineral Resources” dated May 30, 2011, in particular removing an obligation of the subsoil user to enter into scientific monitoring and supervision agreements.

Arguments:

- O&G operators have a consolidated opinion that execution of the scientific monitoring and supervision agreements is not expedient, leads to essential time and cost consuming;
- The above mentioned monitoring and supervision is nominal; mostly carried out by the Operators themselves due to the fact that there is no methodological procedure established;
- Execution of the scientific monitoring and supervision agreement is against world's best practice.

Solution: To amend Resolution of the Cabinet of Ministers of Ukraine #615 “On Approval of the Procedure for Granting Special Permits for the Use of Mineral Resources” dated May 30, 2011; abolish Order of the Ministry of Ecology and Natural Resources #96 dated March 11, 2013.

Decision makers: State Geology, Ministry of Ecology, Cabinet of Ministers.



APPENDIX 8

Effective administering of large infrastructural projects. Effective models for PSA

Background: Successful implementation of effective and future PSA projects in Ukraine require daily coordination of different central and regional government bodies of both executive (CMU, ministries, state agencies/services) and legislative branches (Parliament, regional councils). Existing practice of appointing a single ministry (currently Ministry of Energy and Coal Industry) as State Authorized Body (hereinafter — SAB) for implementation of PSAs has already proven to be ineffective, as one ministry does not have authority and means to secure timely decisions by other government bodies necessary for such massive projects as PSAs. As a result, often PSA investors are left one-on-one with issues with individual authorities that practically have no interest or experience in PSA projects. Therefore, investors are often forced to spend their time and resources on resolving government-related issues with their PSAs without a proper support from the government.

Position: GoU should initiate transformation of Interagency Commission on Organization of Signing and Execution of PSAs into an interagency government body that is able to facilitate execution of already signed PSAs during the entire period of the projects' implementation. Also, GoU should raise the status of the commission and its decisions by transforming protocols/resolutions approved by the commission into orders of the CMU level, signed by the Prime Minister. SAB should be a core state organ responsible individually for project implementation, effective laws implementation by the government bodies and for effective work of Interagency Commission. To enact aforementioned functions respective changes should be made into CMU Resolution #644 dated September 1, 2013 "On creation of Interagency Commission on Organization of Signing and Execution of PSAs". SAB could borrow some experience from Western Australia on administering big infrastructural projects in the most budget-effective way, in particular their Lead Agency concept according to which SAB make ranking of the projects according to their priority for national economy and appoint high level official who is in charge with project implementation (original in [Eng](#) and translation [Ukr](#)). In Ukrainian realities this should be at least one of the vice-PMs, who would coordinate the cooperation between the different state agencies to implement PSAs.

Arguments:

- SAB as a single ministry/agency is not capable of effectively securing proper implementation of PSA projects due to limits of its authority, staff, expertise, resources, etc.;
- SAB's approved resolutions must be elevated to CMU-level orders to ensure their execution by subordinating and peer government bodies;
- SAB, which would call for the session and manage interagency body with the help of vice-PM by default would have more resources, expertise and authority to secure proper and timely execution of PSA projects.

Solution: Adopt necessary changes to CMU Resolution #644 dated September 1, 2013 "On Creation of Interagency Commission on Organization of Signing and Execution of PSAs".

Decision makers: Cabinet of Ministers, Ministry of Energy and Coal Industry, Interagency Commission on PSAs.

APPENDIX 9

Preparation of permitting guide for the industry based on analysis of current regime, implementation of best permitting models and reduction of bureaucracy

Background: Ukraine has no unified permitting document, permitting process is dispersed in numerous legal acts like Subsoil Use Code, Oil and Gas Law, Mining Law, there are uncertainties about Urban Construction Law applicability as well as the role of regional councils in permitting process. Permitting differs significantly from region to region, where for instance exploration well is seen either as a construction object or as environmentally sensitive activity, therefore the list of documents to be collected differs. The critical bottleneck in maturation process is conversion of exploration special permit to the production one.

Position: Industry calls the Government of Ukraine to prepare permitting guide for the industry similar to the Planning practice guidance for onshore oil and gas prepared by DECC in UK. Based on this mapping up of permitting process, we would like to start discussion on how to optimize permitting process to make it effective and sustainable.

Arguments: Industry experiences considerable uncertainty about different readings of existing permitting procedures and many uncertainties. Role of regional councils should be addressed in this task (they appear twice — before putting special permits for auction and during converting of exploration rights into production), one-stop shop for permitting on regional level, including for hazardous waste etc. Industry calls to look for best permitting models in North America, in particular to B.C. Canada as an example.

Solution: MECl or MENR/State Geology Service to prepare guideline to the Industry on Permitting in Oil and Gas Industry of Ukraine — Phase 1. Prepare amendments to legislation to get permitting aligned — Phase 2. This goal also can be partly reached by adoption of Draft Rules for Oil and Gas Fields Development and New Subsoil Use Code — both cover existing permitting procedures for exploration wells on high level. As an alternative, Oil and Gas Law might be amended — these provisions would have to move into new Subsoil Code upon its adoption.

Decision makers: Ministry of Energy and Coal Industry, State Geology Service / Ministry of Ecology and Natural Resources, and Parliament.



APPENDIX 10

Adoption of a new Subsoil Code

Background: New Draft Subsoil Code is pending for its approval since 2012 and went through a number of approval rounds by MENR and State Geology Service.

Position: subsoil use legislation needs 1) systematization and codification 2) modernization. New legislation needs to add more liquidity to the licensing regime (allowing for transferring of licensing rights to interested investors under control of state), unify permitting regime, secure licensing rights and provide for secured conversion of exploration special permits into production ones. The document should accommodate some specific regulatory needs of unconventional (with regards to phasing, co-mingled production etc).

Arguments: Existing Ukrainian legislation is dispersed and contradictory, in particular Oil and Gas Law and Subsoil Code, there are numerous other regulatory acts like Resolution of the Cabinet of Ministers of Ukraine #615 “On Approval of the Procedure for Granting Special Permits for the Use of Mineral Resources” dated May 30, 2011 which creates uncertainty.

Foreign investments will be significantly attracted only if the possibility to develop and produce the resources discovered by exploration investments is firmly safeguarded and guaranteed by the corpus juris of the State.

Solution: to adopt new Subsoil Use Code.

Decision makers: State Geology Service, Ministry of Ecology and Natural Resources, Cabinet of Ministers, Parliament.



APPENDIX 11

Cancellation of discriminatory provisions of art. 93 of the Code of Civil Protection of Ukraine

Background: According to p. 2 of art. 93 of the Code of Civil Protection dated October 02, 2012, at least 0.5% of the revenues generated by potentially or high dangerous objects, should be spent for the needs of civil protection.

Position: Oil and Gas industry stands for cancellation of this artificial barrier taking into account that HSE issues are well regulated by industry-specific HSE Rules for Oil and Gas Sector 2008 issued by State Service for Mining and Industrial Safety (DerzhHirPromNahlyad).

Arguments: Following the numerous meetings with experts and representatives of state bodies, 1) the industry received no answer on the reasoning why this particular threshold has been adopted 2) the state didn't take into account particularities of different industries including difference between long term stable production (for instance food and beverage) and oil and gas production which has peaks and troughs 3) HSE issues have been covered already by industry-specific acts.

Solution: to cancel p.2 of art. 93 of Code of Civil Protection.

Decision makers: State Emergency Service (under Ministry of Defence, in transition to the Ministry of Labour and Social Policy), Cabinet of Ministers, and Parliament.



APPENDIX 12

Further liberalization of land access legislation (possibility to purchase/rent agricultural land for the purposes of oil and gas industry)

Background: Land where the most hydrocarbon deposits are located is designated mainly as agricultural land. As for this category there are a number of limitations, which make it difficult and sometimes impossible to perform exploration and production works. The main limitation is the Land Code moratorium on disposal of agricultural land.

Position: If not abolishment of moratorium, purchase/rent of agricultural land for the purposes of oil and gas industry should be an exception from it. For this purpose conversion of land designation from agrarian to industrial should be allowed.

Arguments:

Investors are concerned with lack of legal security under current Land Code provisions: purchase/rent of agricultural land for the purposes of geological exploration and further production, including construction, exploitation and servicing of gas and oil wells, as well as conversion of land designation from agrarian to industrial are prohibited.

Solution:

- To introduce the amendments to the Land Code of Ukraine, the Law of Ukraine «On Land Lease» which would exclude from the moratorium conversion of designation/purchasing/rent of land for the purposes of oil and gas industry;
- To develop a simplified procedure for conversion of land designation for the purposes of oil and gas industry.

Decision makers: Ministry for Energy and Coal Industry, State Land Agency, Cabinet of Ministers, Agrarian Committee, Energy Committee of Parliament.

APPENDIX 13

Cancellation of special import measures (quotas) for pipe products used for drilling

Background: Seamless steel casing and pump-compressor pipes with an external diameter not exceeding 406,4 mm (nomenclature code 7304 29 10 00 and 7304 29 30 00) are subject to import quotas being regularly set up by the Trade Commission under the Ministry of Economy of Ukraine. Last decision was made on October 21, 2014 and is valid for the next 6 months. Such super high quality pipes are required for deep drilling and to secure high environmental standards. Ukrainian producers are being prepared to produce such high quality goods and undergo international certification.

Position: Industry calls to reconsider state policy on import of certain pipes products of extra high quality to meet highest HSE standards.

Arguments: Quotas set up by Trade Commission for imported pipes is not big enough to accommodate current needs of the industry.

Solution: Make quota exemption for certain pipes products or to increase such quotas to accommodate the needs of the industry (less preferable choice).

Decision makers: Ministry of Economy.



APPENDIX 14

Creation of geo information database

Background: The Procedure for Disposing of Geological Information, approved by Resolution of the Cabinet of Ministers of Ukraine #423 dated June 13, 1995, provides possibilities to access to geological information such as seismic data, wells data and reports (“technical data”). However, in practice it is almost impossible as geological information that can be attractive for initialisation of the investment projects in the area of study, exploration and productions of natural resources is dispersed among different public institutions and private companies.

Position: There is a need in establishing centralized database of geo data which would be amongst the most powerful tools of the state to attract international oil and gas companies investments. Digital national databases with access for registered users for some “User’s Fee” could be a best alternative to the present situation.

Arguments: The ready availability of an adequate set of geological information (technical data)

- Shall advertise and promote Ukraine as a country with rich mineral reserves;
- Shall be one of the fundamental factors that contributes to attracting new investors, including international oil companies, to Ukraine;
- Shall allow regional and semi-regional studies that would drive the geological assessment of investors;
- Shall contribute to transparent communication and exchange of information on licensed areas and a constantly updated inventory of open areas.

Solution: It is proposed that the state [and probably international donors] invests in the creation of national databases, ideally of digital nature and using internationally recognized standards for geological information (technical data) preparation, (e.g. the UKOOA standards for seismic) in order to facilitate the use of such data by investors. The access to, and the right to use geological information (technical data) can be subject to the payment of a “User’s Fee” that — like the License Fee — would contribute to funding of the State Geology Service. This could be a one-time fee of an amount that would not discourage investments.

Decision makers: State Geology Service, Ministry of Ecology and Natural Resources, Cabinet of Ministers.

APPENDIX 15

Creating conditions for compliance with the Extractive Industries Transparency Initiative (EITI) standard

Background: In September 2009, Ukraine committed to implement EITI, having approved its intentions in agreements with the IMF and the EU, as well as in the framework of the Open Government Partnership. On October 10, 2012, the Ministry of Energy and Coal Industry by its Order No.785 created the EITI Multi-Stakeholder Group (MSG) in Ukraine; however, its effective work requires not only active participation of companies and the civil society, but also attracting funding from the state. The World Bank is ready to provide the funds, but by the Ministry of Finance is slowing down the process.

Position: EITI is an independent standard of transparency, supported at the international level and implemented in 48 countries. Ukraine has defined clear objectives around increasing transparency in revenues from the oil and gas sector, including transit revenues. EITI implementation is an important tool for building confidence of investors who require stability and fair playing field, trading partners who expect reliable import and transit of hydrocarbons, and political partners who put high value on generally accepted standards of transparency and accountability.

Arguments:

- EITI enables to cover wider aspects of the value chain in the extractive industries — so as to be an even more powerful and useful tool to address challenges of natural resource management;
- Greater transparency of the fiscal regime, energy data and market rules will speed up investments and increase competitiveness and quality of service. Ukraine could demonstrate that it is a transparent and responsible transit country;
- EITI enables to improve the positive impact on Ukraine's sovereign credit rating and eventually lead to reduced cost of sovereign loans. By implementing EITI, the government can demonstrate compliance with the effective, open and responsible corporate governance;
- Establishing social dialogue among the government, companies and civil society representatives through the MSG activity, which makes possible to consult on a wider basis for policy relevant issues.

Solution: bringing the national legislation framework in compliance with the EITI requirements, signing the agreement with the World Bank in order to ensure sustainable work of the MSG and develop reporting templates, and preparing the EITI Report in Ukrainian and foreign languages by October 2015.

Decision makers: Ministry of Energy and Coal Industry, Ministry of Economic Development, Ministry of Finance, Ministry of Ecology and Natural Resources.



APPENDIX 16

Liberalization of foreign currency control rules

Background: The main purpose of foreign currency exchange control in Ukraine is to prevent illegal capital flow. Operations with foreign currency are regulated by the Decree of the Cabinet of Ministers «On the System of Currency Regulation and Currency Control» and a number of rules issued by the National Bank of Ukraine (NBU). Ukrainian banks act as agents of currency control for the Ukrainian government. They are required to enforce compliance of their clients' foreign currency transactions with Ukrainian law. Currently the law establishes the following main restrictions, limitations and pre-conditions regarding foreign currency transactions:

- A mandatory sale of a defined amount of foreign currency imported in Ukraine (currently such amount is defined by NBU Resolution #515 as of August 20, 2014 as 75% of the foreign currency proceeds);
- Service payments to non-residents are subject to approval by a special governmental agency — the State Price Monitoring Body (“DZI”) which ensures that the price paid is not excessive and is in line with world market prices. The procedure currently provides for state review of service fees under contracts with payments in excess of EUR 50,000 (NBU Regulation #597 of 30 December 30, 2003);
- Goods paid for by a Ukrainian resident, pursuant to an import contract concluded with a non-resident, must be imported and cleared through the Ukrainian customs within 90 days (under NBU Resolution #515 as of August 20, 2014) from the date on which such resident's payment was made. Failure to comply results in severe penalties;
- A number of actions and transactions, including opening and operating bank accounts in any currency outside Ukraine by Ukrainian companies are subject to licensing by the NBU for every single currency transaction. Existing licensing procedures are often too burdensome and allow the NBU too much discretion; besides, some of the documents required are nearly impossible to obtain;
- Temporarily prohibition for transfers in foreign currency, recently introduced by the amended NBU Resolution # 540 as of August 20, 2014, include:
 - payments under import transactions which do not provide for goods entering Ukraine;
 - payments for imported goods cleared by Ukrainian customs authorities (if such payment is to be made more than 180 days after the date of a relevant customs declaration);
 - repatriation of monies earned by foreign investors through the sale of securities, outside of the stock exchange, that are issued by Ukrainian entities (other than Ukrainian government bonds);
 - repatriation of monies earned by foreign investors through the sale of corporate rights in Ukrainian entities (other than shares);

¹ NBU Resolution #515 as of 20.08.2014 will be terminated on 22.11.2014, unless extended

² “Operate” as used in this context means the ability to cash and retain proceeds from sales and other earnings, make payments in any currency to any beneficiary anywhere in the world, including Ukraine.

³ NBU Resolution #540 as of 29.08.2014 will be terminated on 03.12.2014, unless extended

- repatriation of dividends paid to foreign investors (other than dividends paid by listed joint-stock companies);
- transactions authorised by individual NBU licences (other than opening bank accounts abroad and depositing funds into such accounts).
- Loans obtained by Ukrainian residents from non-residents are subject to notification or registration with the NBU.

Position: Ukrainian foreign currency exchange rules are overloaded with restrictions introduced by the NBU from time to time; moreover, such restrictions can hardly be justified with the fight against capital outflow and are unpredictable in their nature and the term of application.

The foreign currency exchange rules must be as flexible as possible for foreign investors, the legislation should enable Ukrainian individuals and legal entities, especially those owned or controlled by foreign investors, to operate effectively at international markets, including the unlimited right to freely open and operate bank accounts in any currency outside Ukraine. Foreign investors' right to repatriate their legally obtained profits or other monies from their investments in Ukraine must be guaranteed and protected

Complete revision of the foreign currency exchange rules by cancelling all foreign exchange restrictions is needed. The following provisions that are currently causing the greatest complications to investors should be cancelled with no delay:

- a) mandatory exchange to Hryvnia of any amount of foreign currency imported into Ukraine;
- b) currency control function assigned to banks;
- c) mandatory approval of DZI prior to executing international payments.

Arguments:

- In general, liberalization of the state regulation of financial markets will be considerably contributed by cancellation of the existing restrictions and simplification of the legislation. Besides, it will be a great promotion of Ukraine's investment attractiveness ensured by the possibility for foreign investors to freely make their investments in Ukraine, transfer their investments and profits resulting from such investments outside Ukraine and to avoid any possible difficulties in connection with investing into Ukraine;
- Ability for Ukrainian residents to operate at international markets will result in more efficient cost of financing the Ukrainian businesses and bring numerous new solutions and innovations into the financial system of Ukraine;
- Cancellation of the role of "watch-dog" assigned to Ukrainian banks will increase the banks' efficiency, decrease their risk and cost-base and disable current hindering of the conduct of affairs (and bottom line) of their clients;
- Cancellation of the prior approval of the DZI as a pre-condition to executing international payments shall contribute to operational and financial efficiency and decrease the cost-base of services rendered to Ukrainian entities;
- Cancellation of the restrictions on repatriation of the proceeds from sales of shares, corporate rights and dividends shall be in line with investment protection treaties and the laws on foreign investment.

Solution: To amend the entire complex of legislative acts regulating foreign currency exchange issues.

Decision makers: Ministry of Finance, National Bank of Ukraine, the Cabinet of Ministers of Ukraine, Parliament



APPENDIX 17

Adoption of IFRS accounting principles

Background: Since the independence of Ukraine, the Government systematically attempts to implement international accounting standards, namely International Financial and Reporting Standards (“IFRS”). Despite recent positive initiatives of Ministry of Finance of Ukraine, the process still needs to be speeded up and finalised.

Position: Adoption of IFRS as issued by the International Accounting Standard Board (www.ifrs.org) and abandonment of current documentation requirements inherited from Soviet Union Accounting and the related “form over substance” approach. Instead, accounting records must be based on real transfer of risks and assets.

Arguments:

- IFRS are the common and global language applicable in most EU countries, USA and stock-markets, that provide a recognized and common measurement of planned and actual performance of businesses and projects allowing them to be comparable within and across international boundaries;
- Adoption of IFRS standards will simplify entry to international markets for Ukrainian incorporated companies;
- Tax-accounting and tax-reporting can be easily obtained by adjusting IFRS accounting results. A dialog between tax auditors and the tax payers will be simplified;
- A lower cost of compliance would also benefit tax payers and the State.

Solution: to adopt IFRS, to amend Tax Code of Ukraine, the Law # 996-XIV “On Accounting and Financial Reporting in Ukraine dated July 16, 1999 , to abolish current Accounting Rules (Standards).

Decision makers: State Fiscal Service of Ukraine, Cabinet of Ministers, Parliament.

APPENDIX 18

Acceptability to operate at loss for private companies during geological exploration stage

Background: The law of Ukraine treats the entrepreneurship as a certain activity performed in order to achieve some relevant economic results and profit (art.42 of the Commercial Code of Ukraine). The supervisory authorities, including the tax control bodies, rather often interpret this provision as a requirement for an expeditious achievement of positive financial results.

However, the activity of oil and gas companies performed during geological exploration generates considerable investments rather than creates any profit during 3–5 years. The investors suffer the fiscal pressure caused by the obligation of tax authorities to fulfil the national plan of raising money for the state budget of the country.

Position: The Ukrainian Tax Laws should allow companies to operate at loss during any capital-intensive phase and should recognize that the duration of such a phase is dependent on the type of industry and of investment and cannot be pre-determined by legislation.

Arguments:

- Reduction of judicial disputes between tax payers and tax authorities;
- Evidence that the State respects the ultimate risks of the investor during geological exploration and is ready for foreign investments to capital-intensive projects.

Solution: The State Fiscal Service of Ukraine should provide the tax authorities with general explanations, to amend the Ukrainian Tax Laws if necessary.

Decision makers: State Fiscal Service of Ukraine, Cabinet of Ministers, Parliament.



APPENDIX 19

Normalization of oil and gas well tax treatment.

Background: Tax Code of Ukraine (TCU) contains no certainty on claiming VAT amount paid for materials and services during exploration phase until well starts producing. There is no guidance in TCU regarding VAT if well is unsuccessful.

Position: Oil and gas business requires longer period for capital investments to return and there is certain risk that some of exploration cost (wells, G&G studies, and related activities) need to be written off (recognized as tax deductible) based on company management decision. At that, TCU shall regulate the VAT reimbursement that is already paid as part of the exploration expenses.

Arguments:

- To improve economic and investment climate in Ukraine;
- To secure proper VAT treatment which by its substance is indirect tax that is levied at each stage in the chain of production and distribution from raw materials to the final sale based on the value (price) added at each stage. It is not a cost to the producer or the distribution chain members, whereas its full brunt is borne by the end consumer;
- Based on the European practice, VAT is the tax which is always refundable in case VAT paid to suppliers;
- Company that paid VAT as part of exploration cost has to have the right to get its amount back.

Solution: to amend the Tax Code of Ukraine.

Decision makers: State Fiscal Service of Ukraine, Cabinet of Ministers, Parliament.

APPENDIX 20

Acceptability of tax consolidation among Ukrainian incorporated affiliates

Background: Tax Consolidation among Ukrainian incorporated Companies should be permitted. This would greatly improve the investment climate in Ukraine as Investors particularly for those amongst them involved in businesses that have long pay-out time, such as Oil & gas business, would be allowed to offset costs and revenues incurred by their Ukrainian Companies on a consolidated basis, rather than on a Company by Company basis. This would also have the side-effect of lowering the cost of tax compliance.

Ukrainian legislation does not allow tax consolidation among Ukrainian incorporated companies. On December 19, 2013 the Draft Law of Ukraine #2737 “On Amendments to the Tax Code of Ukraine regarding Establishment of the Consolidated Group of Taxpayers” was passed in the first reading by the Verkhovna Rada of Ukraine. Nevertheless, the adoption of the draft has not been finalized and the criteria established in that draft appeared to be applicable to a rather limited group of companies.

Position: Allow tax consolidation among Ukrainian companies.

Arguments:

- Successful experience of tax consolidation practice in most of the economically developed countries: USA, UK, Austria, Australia, France, the Netherlands, Denmark, Spain, Germany, Japan, and many others;
- Currently, the European Commission works on implementation of Common Consolidated Corporate Tax Base (CCCTB) which will expand tax consolidation practice from a single country level to the global level. The CCCTB administrative framework provides for a “one-stop-shop” approach which would allow groups with a taxable presence in more than one EU country to deal primarily with a single tax authority across the EU;
- Tax consolidation will minimize the opportunities for contractual pricing abuse aimed at reducing tax liabilities by the group companies; the pricing will be more transparent and market oriented;
- Excluding of operations inside the consolidated group of tax payers from the tax control will simplify both profit tax administration and tax control procedures.

Solution: to amend Tax Code of Ukraine.

Decision makers: State Fiscal Service of Ukraine, Cabinet of Ministers, Parliament.



APPENDIX 21

Creation of possibility to use capacities and services of affiliated companies (possibility to buy services without profit elements, deductibility of consulting and engineering services, cancellation of any obstacles in payment for services from abroad)

Background: Current Ukrainian legislation establishes a substantial limitation to the deductibility of significant volume of services received from all foreign providers, including the affiliates. Furthermore, payments of invoices for such services are subject to approval of the Price Monitoring Body (SC Derzhzovnishinform, DZI).

On the contrary, international oil companies (IOC), as well as other foreign investors, carry out part of their international activities through “Centralized Services Centres” (also known as “Shared Services Centres”). These are centres of industrial, technological, managerial and service excellence specifically set-up to serve the generality of IOCs’ exploration and production (E&P) activities, allowing each affiliate and joint venture to access and use own technologies and processes and receive specialist services (Centralized Services) incurring only a share of the cost centrally incurred.

Position: To allow tax deductibility of the cost of Centralized Services received by Ukrainian companies from their affiliates, regardless of the origin of such services and to allow related payments to be made without any prior approvals. The pricing method “at costs, without profit elements”, should be accepted and permitted by Ukrainian legislation as an established E&P Industry practice.

Arguments:

- Provision of the Centralized Services, which include the whole spectrum of skills necessary to a successful E&P operator, shall increase control, quality and consistency, reliability and the profitability of E&P projects in Ukraine, as well as their number, and decrease the cost of operating for foreign investors;
- Provision of Centralized Services “at costs, without profit elements” with the use of high quality services, goods and materials shall ensure much safer, earlier, larger and more continuous production of hydrocarbons;
- Cancellation of the prior approval of the DZI as a pre-condition to executing international payments would contribute to operational and financial efficiency and decrease the cost-base of services rendered to Ukrainian entities;
- Derzhzovnishinform price approval function is an unnecessary practice since the Price Monitoring is controlled by the tax authorities based on TP rules adopted this year;
- Compliance with the E&P Industry standard for Centralized Service Centers shall enforce liberalization of Ukrainian legislation and investment attractiveness of E&P industry of Ukraine.

Solution: In respect of Centralized Services the following changes in Ukrainian tax legislation (UTL) are necessary:

- The definitions of “Consulting Services” and “Engineering Services” should be revised to allow their unrestricted tax-deductibility as expenses necessarily incurred in the E&P activity; the definition of “Centralized Service Centre” should be introduced.
- Payments to the “Centralized Service Centre” of the IOC should be made by international money transfer without any prior approvals.
- The pricing method “at costs, without profit elements”, should be permitted by UTL.
- Current Accounting Rules (Standards) should be abolished.

Decision makers: Ministry of Finance, State Fiscal Service, Cabinet of Ministers, Parliament.



APPENDIX 22

Simplification of employment procedure for non-Ukrainian citizens

Background: Employment procedure for foreigners takes considerable time, efforts and includes a number of restrictions.

Namely, by a number of legislation norms it is provided that:

- A foreigner can be employed for only one position in Ukraine.
- Appointment of a foreigner to the Managing Director position at the stage of establishment of a legal entity is not possible.
- Work permits (WP) as well as temporary residence permits (TRP) are issued for a maximum term of one year, rather than for the duration of the employment agreement.
- The list of documents for application for work permit contains some sensitive personal data, such as health statement certificate from a medical institution confirming that the Foreigner does not suffer from certain diseases, certificate of no-criminal record, presentation of which are not obligatory for Ukrainian citizens at the state of employment.
- Obtaining of TRP is a separate procedure, regulated by legislation on legal status of foreigners and stateless persons, which seems to be unnecessary after the WP has been granted.

Position: Whereas the overall time of a foreigners' employment in Ukraine is unlimited (the law does not provide any limits for WP or TRP prolongations) it would be logical that the WP and TRP shall be issued for the term of the employment agreement. Foreign citizens should have equal labour and civil rights with Ukrainian citizens, including the right for concurrent employment and right for personal data protection , as well as the general human rights and liberties.

Arguments:

- Corresponding terms of WP, TRP and labour agreement shall decrease the level of bureaucracy and corruption opportunities; it shall contribute to enforcement of confidence and certainty of liberalization processes associated with employment and entrance regime in Ukraine. Work permit issue usually takes at least 1 month and practically is impossible to obtain without foreigner's coming to Ukraine. Documents preparation usually takes 1–2 months due to apostilization process. Temporary residence permit issue and registration/prolongation usually takes about 12–14 days, 7 days of this period a foreigner has to spend without passport that is not safe. Medical certificates made out of Ukraine very often are not accepted by employment centre.
- Elimination of discrimination of foreign citizens regarding their rights and liberties when compared to Ukrainian citizens.
- Granting of WP should be the ground for automatic issuance of TRP.

- Incorporation of a new legal entity can be performed without unnecessary stages (appointing a temporary local director, change of the director, registration of changes in all applicable authorities).
- Immigration legislation of Ukraine shall be harmonized to the full extent with the State Border Guard Service regulations.

Solution: to amend the Law of Ukraine “On Employment” as of July 5, 2012; the Procedure of the Issuance, Extension and Annulment of Work Permits for Foreign Citizens and Stateless Persons, adopted by the CMU Resolution # 437 as of May 27, 2013; the Law of Ukraine “On the Legal Status of Foreigners and Stateless Persons” as of September 22, 2011; Rules for Issuing Visas for Entry to Ukraine and Transit through its Territory, adopted by CMU Resolution # 567 as of June 1, 2011; the Instruction on the Procedure for Granting Visas for entry to Ukraine and transit through its Territory for Foreigners and Stateless Persons, adopted by the Ministry of Foreign Affairs of Ukraine Order # 196 as of July 26, 2011; to reconcile immigration legislation with State Border Guard Service’s regulations concerning residence permit cancellation, passing passport control after residence permit cancellation; to include residence permit data into the passport control system to simplify and facilitate arrival/departure for foreigners who have residence permit card; to create electronic system where an employer/employee may monitor the status of work permit/temporary residence permit issue/prolongation/cancellation.

Decision makers: the State Service for Employment of Ukraine, the Ministry of Social Politics of Ukraine, the Ministry for Health Protection of Ukraine, the Ministry for Foreign Affairs of Ukraine, the Ministry for Home Affairs of Ukraine, the State Migration Service of Ukraine, the State Border Guard Service of Ukraine, Cabinet of Ministers.



TABLE 1

| ISSUE | Coalition Agreement | EASYBUSINESSinUA | Parliament | Cabinet of Ministers | Ministry of Energy | Ministry of Ecology | State Geology Service | NERC | Ministry of Finance | Ministry of Economy | State Fiscal Service | Ministry of Justice | State Land Agency | State Mining and Safety Authority | Ministry Regional Development & Construction | Interagency Commission on PSAs | State Emergency Service | National Bank of Ukraine | State Service for Employment | Ministry of Social Policy | Ministry for Health Protection | Ministry for Foreign Affairs | Ministry for Home Affairs | Migration Service of Ukraine | State Border Guard Service | NJSC "Naftogaz of Ukraine" |
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| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1 Prevention from further monopolization of gas market of Ukraine. | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2 Stability of taxation of hydrocarbon production in Ukraine | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3 Adoption of new Gas Market Law. | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4 Reforming Land Legislation for the needs of Oil and Gas Sector | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5 Normalization of oil and gas wells registration | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 6 Adoption of the new Rules for Oil and Gas Fields Development | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 7 Cancellation of mandatory scientific monitoring and geological expertise | | | | | | | | | | | | | | | | | | | | | | | | | | |

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| ISSUE | Coalition Agreement | EASYBUSINESSinUA | Parliament | Cabinet of Ministers | Ministry of Energy | Ministry of Ecology | State Geology Service | NERC | Ministry of Finance | Ministry of Economy | State Fiscal Service | Ministry of Justice | State Land Agency | State Mining and Safety Authority | Ministry Regional Development & Construction | Interagency Commission on PSAs | State Emergency Service | National Bank of Ukraine | State Service for Employment | Ministry of Social Policy | Ministry for Health Protection | Ministry for Foreign Affairs | Ministry for Home Affairs | Migration Service of Ukraine | State Border Guard Service | NJSC "Naftogaz of Ukraine" |
|--|---------------------|------------------|------------|----------------------|--------------------|---------------------|-----------------------|------|---------------------|---------------------|----------------------|---------------------|-------------------|-----------------------------------|--|--------------------------------|-------------------------|--------------------------|------------------------------|---------------------------|--------------------------------|------------------------------|---------------------------|------------------------------|----------------------------|----------------------------|
| 14 Creation of geo information database | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 15 Creating conditions for compliance with the Extractive Industries Transparency Initiative (EITI) standard | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 16 Liberalization of foreign currency exchange rules | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 17 Adoption of IFRS accounting principles | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 18 Acceptability to operate at loss for private companies during geological exploration stage | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 19 Normalization of oil and gas well tax treatment | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 20 Acceptability of tax consolidation among Ukrainian incorporated affiliates | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 21 Creation of possibility to use capacities and services of affiliated companies | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 22 Simplification of employment procedure for non-Ukrainian citizens | | | | | | | | | | | | | | | | | | | | | | | | | | |



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