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| № 17 - 6 March 2017  |  | **To: Head of NCER Vovk D.V.** **Copy: Ukrtransgaz** |
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| *Concerning tariffs for access to the Ukrainian GTS and arrangement of meeting*  |

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**Dear Dmytro Volodymyrovych,**

On behalf of the Council of Directors of the American Chamber of Commerce (hereinafter – Chamber) hereby we express our respect and address concerning the size of access tariff to GTS of Ukraine.

We would like to emphasize that the introduction of RAB-tariffs in general complies with the requirements of 3rd Energy Package. At the same time please note that the Regulator has not still established tariffs for exit points “Budince”, “Hermanovici” and “Beregradoc”, which disables the launch of cross-border natural gas trading and gas export from Ukraine (the points where the tariffs are established may not be used at the moment due to the effective Transit agreement with OJSC “Gazprom”), that breaches obligations of Ukraine towards the Energy Community. Moreover, the tariffs introduced in entry/exit points from/to GTS are mostly the highest on the European gas market due to the use in their calculation of a special methods applying a strongly reduced term of the GTS depreciation, and assessment of the tariff after its conversion from the national currency to the foreign currency at fixed rate, and after the change of this rate on the market, it does not change all the same as a component of the tariff, the fixed value of capital and non-transparently determined current level of GTS depreciation without a relevant audit.

This tariff is already valid on the cross-border entry/exit points and, it should be emphasized, has a negative effect to the process of the Ukrainian gas market integration into the European gas market, as it’s higher than the average European level so does not sustain the competition in relation to the other international gas transit projects or projects of commercial gas storage with temporary inflow/outflow, which, as a rule, have another approach to pricing of GTS access on the developed markets. Besides, this tariffs increases the gas price for end-users. The industrial customers (chemical, metallurgical industry, etc.) have the additional burden in the form of high gas price and add this price to the primary cost of products, which, in its turn, makes their products non-competitive on the world market and correspondently it has a negative effect onto the Ukrainian economy.

There are plans also to introduce access tariffs for internal entry/exit point from 1st of April, 2017, it’s proposed by the draft amendments to the NCER decree # 2493 (hereinafter Draft), published on the web-site of Commission on 27th of January, 2017. Among other things the Draft stipulates for booking of capacities by gas producing companies in entry/exit points to GTS (paras 4,7, Chapter 1, Section ІХ).

It’s worth saying that the tariff is fixed in foreign currency, and the introduction of tariff for access to GTS in foreign currency contradicts with the Ukrainian laws and regulations which stipulates the settlements on the internal market exclusively in the national currency, besides due to misregulations in the area of the Ukrainian laws adjustment to the European gas legislation non-resident exporters or importers should pay VAT from this tariff which is impossible to compensate further.

Considering the above mentioned you are kindly requested:

* To provide us with the reasonable explanations concerning the applied methods of calculation of the GTS access tariffs and expediency of use of the components, mentioned above;
* After public discussion of the provided explanations to consider possibility of revision of these methods and tariffs towards their reduction.

We suggest to arrange the first discussion of the mentioned proposal with participation of NCER, members companies of Chamber (among which there are gas importers, gas producing companies, industrial customers), Ukrtransgaz, Naftogaz and other interested parties, we, in our turn are ready to provide our platform and participate in arrangement of such meeting if necessary.

Once more please accept our respect. Should you have additional inquiries please appoint the responsible person which can call to the chamber by phone 490 5800 or email TTemniuk@chamber.ua, contact person – Tetyana Temnyuk, manager of Chamber for strategic development (fuel & energy complex).

**Regards**

**President Andy Hunder**