

In a nutshell: Economic opportunities and policy responses in Ukraine in 2021

Research and development (R&D) spending in Ukraine has been almost halved in the last ten years, and investment and spending on environmental R&D are negligible. Total spending on all research in Ukraine (not only environmental) fell from 0.75% to 0.41% of gross domestic product in 2010-20.

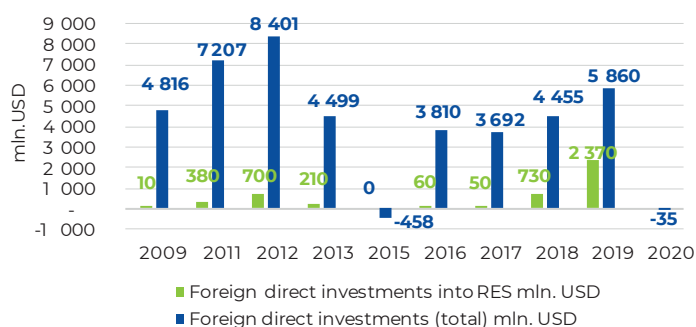
The number of patents in areas that promote green growth has declined sharply over the past five years, indicating low innovation activity among Ukrainian residents. The number of applications from residents of Ukraine for inventions in areas that promote green growth has decreased by nine times since 2010. In recent years, Ukraine receives about 50 such applications per year.

The renewable energy sector provides about 52 000 jobs in Ukraine, which is quite a lot compared to other countries. Solar energy creates the largest number of jobs (25 000), followed by hydropower (11 000). This is due to the rapid development of solar energy in Ukraine in recent years.

Official development assistance (ODA) in areas directly related to green growth accounts for a small share of total ODA. The share of projects in the energy efficiency sector was only 5% of total ODS in 2019. Lack of systematic monitoring prevents a complete accounting of both the volume and trends of ODA provision in specific areas.

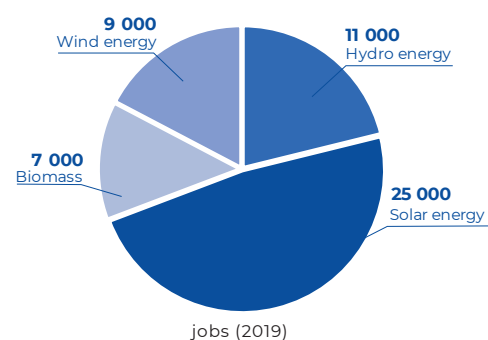
In 2018-19, there was a sharp increase in foreign direct investment in renewable energy sources, which is a consequence of favourable public investment policy. In 2019, RES accounted for 40% of all direct investment in Ukraine (USD 2.4 billion). This can be attributed to a favourable investment climate (high guaranteed green tariff).

Foreign direct investments in Ukraine



Source: National Bank of Ukraine (2009 – 2021).

Employment in renewable energy sector



Source: IRENA (2021).

Ukraine continues to provide substantial subsidies for fossil fuels. Coal subsidies reached the highest level in 2020 (UAH 1 014 per ton). **Revenues from environmental payments and taxes, despite the actual increase during 2014-20, had a smaller share in the consolidated budget.** Thus, in 2014-20, their share decreased significantly in both the state (from 11% to 6%) and in the consolidated budget, which includes local budgets (from 8% to 5%).

Over the last ten years, the rate of the CO2 tax has changed significantly only once. Today, it is about 29 eurocents per ton.

In recent years, state support for agriculture has increased sharply compared to 2011-16. The largest increase in state support for agriculture was observed in 2017: the total amount of budget support amounted to UAH 5 billion (0.6% of the state budget).

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Background

Monitoring and assessment of progress towards a green economy is important for improving government policies and their implementation. The green growth indicators help track progress in greening economic growth, inform decisions, demonstrate accountability, raise public awareness and compare data between countries.

In 2022, the third monitoring report was released using the OECD-based green growth indicators to provide a snapshot of Ukraine's progress in greening the economy. This nutshell zooms into the natural asset base of Ukraine to inform policy makers about progress but also to underline actions needed to accelerate green transformation.



Acknowledgements

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About EU4Environment

The “European Union for Environment” (EU4Environment) Programme helps partner countries preserve their natural capital and increase people's environmental well-being by supporting environment-related action, demonstrating and unlocking opportunities for greener growth, and setting mechanisms to better manage environmental risks and impacts. Read more here about [EU4Environment](#).

Disclaimers

Data presented in this nutshell come from the report “Towards Green Transformation of Ukraine: State of Play in 2021”. All sources are available and properly acknowledged in the report.

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