

The Law of Ukraine 1391-XIV of 14 January 2000 “On Alternative Fuels”

(effective as of July 2019)

This Law defines the legal, social, economic, environmental and organizational principles of production (extraction) and use of alternative fuels, as well as stimulation of their increased use by up to 20 percent of the total fuel consumption in Ukraine by 2020.

Section I. GENERAL PROVISIONS

Article 1. Definition of terms

The below listed terms shall have the following meaning:

alternative fuels - solid, liquid and gas fuel, which is an alternative to respective traditional fuels and is produced (extracted) from non-traditional sources and types of energy raw materials;

waste - slag and waste from industry, agriculture, utility companies and other enterprises that may be the source or raw materials for extraction or production of alternative fuels;

non-traditional sources and types of energy raw materials - raw materials of plant origin, waste, solid combustibles, other natural and artificial sources and types of energy raw materials, including oil, gas, gas condensate and exhaustible oil condensate, of non-industrial relevance and technogenic nature, heavy crude oil, bitumen, gas-saturated waters, gas hydrates, etc., the production (extraction) and processing of which requires the use of the most advanced technologies and which are not used for production (extraction) of traditional fuels;

alternative fuel consumers - natural persons and legal entities that use technical means, including internal combustion engines, boiler units, furnaces, other power units, installations and machines operating wholly or partly on alternative fuels;

sphere of alternative fuels - the sphere of activity related to production (extraction), transportation, storage and consumption of alternative fuels;

biological fuels (bio-fuels) - solid, liquid and gas fuel made from biologically renewable raw materials (biomass) that can be used as fuel or a component of other fuels;

bio-component - bio-fuel used as a component of other fuels;

biomass - biodegradable non-fossil biologically renewable organic matter, in the form of products, waste and residues of forestry and agriculture (crop and animal husbandry), fishing and related industries, as well as a constituent of industrial or household waste that is biodegradable;

bio-ethanol - dehydrated ethyl alcohol, made from biomass or raw ethyl alcohol for use as bio-fuel;

biobutanol - butyl alcohol made from biomass used as bio-fuel or bio-component;

bio-diesel fuel (bio-diesel) - methyl and/or ethyl ethers of higher organic acids derived from vegetable oils or animal fats used as bio-fuel or bio-component;

bio-gas - gas derived from biomass and used as fuel;

bio-hydrogen - hydrogen derived from biomass, a type of bio-gas;

bio-fuel producer - an economic entity that produces bio-fuel from biomass directly;

bio-ethanol-based additives - motor fuel bio-components obtained through synthesis using bio-ethanol or mixing bio-ethanol with organic compounds and fuel derived from hydrocarbons in which the bio-ethanol content meets the requirements of the regulatory documents and which are regarded as bio-fuel;

liquid fuel from biomass - diesel bio-fuel, bio-ethanol, biobutanol, pure oil and other synthetic fuels made from biomass;

synthetic bio-fuels - synthetic hydrocarbons and mixtures of synthetic hydrocarbons made from biomass.

Article 2. Main principles of the state policy in the sphere of alternative fuels

The following shall be the main principles of the state policy in the sphere of alternative fuels:

promotion of development and rational use of non-traditional sources and types of energy raw materials for purposes of production (extraction) of alternative fuels in order to save fuel and energy resources and reduce Ukraine's dependence on their imports;

gradual increase in the regulatory determined share of production and use of bio-fuel and mixed motor fuel. The content of bio-ethanol in motor gasoline produced and/or sold on the territory of Ukraine shall amount to:

in 2013 - at least 5 percent (recommended content, by volume);

in 2014-2015 - at least 5 percent (obligatory content, by volume);

from 2016 - at least 7 percent (obligatory content, by volume);

reduction of negative impact on the environment by using waste from various activities as raw materials for production of alternative fuels, by maintaining environmental safety of production (extraction), transportation, storage and consumption of alternative fuels;

support of development of the scientific and technical base for production (extraction) of alternative fuels, popularization of scientific and technological achievements in this sphere;

support of entrepreneurship in the sphere of alternative fuels based on state protection of the entrepreneur's interests;

popularization of economic, environmental, social and other benefits of production (extraction) and consumption of alternative fuels among general public;

development of international scientific and technical cooperation, wide use of world science and technology opportunities in the sphere of alternative fuels;

prevention of artificial creation of monopolies on the market of alternative fuels, and in case of recognition, under the procedure established by law, of natural monopolies - control over their activities, prevention of abuse of monopoly position and limitation of monopolism, if the need for such limitation is not established by law.

Section II.

FEATURES OF ALTERNATIVE FUELS, THEIR CONSUMERS, THE PROCEDURE FOR DESIGNATION OF ALTERNATIVE FUELS AS SUCH

Articles 3. Features of alternative fuels

Fuel shall be designated as alternative if:

it is entirely manufactured (extracted) from non-traditional and renewable sources and types of energy raw materials (including biomass) or is a mixture of traditional and alternative fuels, the contents of which must comply with specifications for motor fuel;

it is made (extracted) from oil, gas, oil and gas condensate fields of non-industrial relevance, exhausted fields, from heavy oil grades, etc. and differs, in its requirements, from the requirements for traditional fuel. If such fuel, by its features, meets the requirements for traditional fuel, this Law shall be applied only to its production (extraction) and not be applied to consumers of fuel;

environmental safety standards and consequences of use of alternative fuels for the environment and human health meet requirements established by the legislation of Ukraine for traditional fuels.

Article 4. Liquid alternative fuels

Liquid alternative fuels shall include:

flammable liquids obtained from processing of solid fuels (coal, peat, shale);

alcohols (bio-ethanol, biobutanol) and synthetic products derived therefrom, which may be used as fuel or fuel components (additives based on bio-ethanol and biobutanol), oils, other liquid fuels from biomass (including bio-diesel);

flammable liquids obtained from industrial waste, including gas emissions, sewage, spills and other industrial waste;

fuel obtained from oil and gas condensate from oil, gas and oil-gas condensate fields of non-industrial importance and exhausted deposits, from heavy grades of oil and natural bitumen, if this fuel is not of the traditional kind.

Article 5. Alternative types of gas fuel

Alternative types of gas fuel shall include:

gas (methane) from coal deposits, as well as gas obtained in the process of underground gasification and underground burning of coal seams;

gas obtained from processing of solid fuels (black and brown coal, shale, peat), natural bitumen, heavy oil;

gas contained in aquifers of oil and gas reservoirs with abnormally high seam pressure, in other groundwater gas-saturated waters, as well as in gas-saturated water reservoirs and marshes;

gas obtained from natural gas hydrates and sub-gas;

bio-gas, landfill, generator gas in any state, bio-hydrogen, other gas fuel derived from biomass; gas in any condition, obtained during processing of solid fuels (black and brown coal, oil shale, peat), natural bitumen, heavy oil, crude oil;

gas obtained from industrial waste (gas emissions, industrial sewage, ventilation emissions, waste from coal processing factories, etc.);

compressed and liquefied natural gas, liquefied petroleum gas, assist oil gas, methane free gas, if they are obtained from gas, gas condensate and oil fields of non-industrial importance and exhausted deposits and do not belong to traditional fuels.

Article 5¹. Solid alternative fuels

Solid alternative fuels shall include:

products and waste of agriculture (crop and animal husbandry), forestry and industries technologically related to it, as well as granules, briquettes, charcoal and carbonaceous matter, produced from these products and waste, that are used as fuel;

organic part of industrial and household waste, as well as granules and briquettes made from them;

peat, as well as granules and briquettes made from it.

Article 6. Procedure for designation of alternative fuels as such

Designation of the fuel as alternative shall be confirmed by a document on the identification of fuel issued by the authorized body of executive power in the manner determined by the Cabinet of Ministers of Ukraine.

Biological fuels intended for sale as commodity products shall be subject to mandatory certification in accordance with the law.

Economic entities of all forms of ownership producing solid, liquid and gas fuels from non-traditional sources and types of energy raw materials shall be regarded as producers of alternative fuels.

The refusal of the executive body to issue a fuel identification document or the body's violation of the issue procedure may be appealed in court.

Economic entities that sell their products, at the request of the buyer, shall provide a document confirming the quality of fuel and its belonging to alternative fuels.

Article 7. Appliances, which operate on alternative fuels, and the procedure for confirming the ability of an appliance to operate on alternative fuels

Appliances that operate on alternative fuels shall include those designed or converted to run on at least one alternative fuel or a mixture of traditional fuel with alternative one, in which bio-ethanol content meets the requirements of regulations, and capable of operating on such fuel with no deterioration in safety, reliability and compliance of their environmental performance with regulatory requirements.

Appliance's designation as the one working on alternative fuel shall be confirmed by the document of the manufacturer of this appliance. Conversion of an appliance into one capable of working on alternative type of fuel shall be agreed with the manufacturer of the appliance or the central executive body on technical regulation in the field related to the design of the respective appliance.

Conformity of appliances assigned or converted for alternative fuel operation shall be confirmed in accordance with the requirements of the legislation extending to appliances operating on traditional fuels.

Machinery and equipment used for reconstruction of existing and construction of new bio-fuel plants and those used for production and reconstruction of appliances and vehicles for purposes of bio-fuel consumption shall include goods classified under the Ukrainian Classification of Goods of Foreign Economic Activity codes 8402, 8403, 8404, 8405, 8406, 8416, 8417, 8419, 8422 40 00, 8423 20 00 00, 8423 30 00 00, 8423 81, 8423 82, 8423 89 00 00, 8423 90 00 00, 8514.

Machinery and vehicles, including self-propelled agricultural machinery running on biofuels, shall include goods classified under the the Ukrainian Classification of Goods of Foreign Economic Activity codes 8701, 8702, 8704, 8705, 8709.

Article 8. Specific features of relations in the sphere of production and use of biological fuels

Activities in the sphere of production and use of biological fuels can be carried out by economic entities of all forms of ownership in accordance with legislation of Ukraine.

Economic entities that use different bio-fuel technologies shall have equal rights of access to the bio-fuel market.

Biomass resulting from the activities of economic entities may be used as bio-fuel or for production of bio-fuel or bio-components, except for the part of the biomass used by those entities for their own production purposes other than production of bio-fuel or bio-components.

Economic entities whose activities result in generation of biomass used for production of bio-fuel and bio-components shall be obliged to keep records of such biomass in accordance with the procedure established by the Cabinet of Ministers of Ukraine.

Bio-fuel producers shall have to to keep records of the bio-fuel and bio-components they produced in accordance with the procedure established by law.

Production of bio-ethanol shall be carried out by economic entities subject to receiving a license.

It shall be prohibited to produce and store ethyl alcohol at bio-ethanol plants.

It shall be prohibited to store and transport bio-ethanol without its denaturation of 1-10 percent of gasoline or in case of its use for export and production of ethyl tert-butyl ether (ETBE) - denaturation shall be carried out in accordance with terms of concluded contracts.

Section III.

ECONOMIC MECHANISM FOR INCENTIVIZATION IN THE SPHERE OF ALTERNATIVE FUELS

Article 9. Organizational and economic measures to incentivize production (extraction) and consumption of alternative fuels

Organizational and economic measures to incentivize production (extraction) and consumption of alternative fuels shall include:

identification of sources and directions of financing measures in the sphere of alternative fuels;

creation of the system of state standards in the sphere of alternative fuels, containing normative and technical indicators of consumer quality, specific fuel consumption in different sectors of the economy, environmental safety standards and indicators on occupational safety and health;

use of economic levers and incentives provided by legislation of Ukraine for enterprises, institutions, organizations and citizens in the sphere of alternative fuels, whose activity is related to development and introduction of low-waste resource-saving and environmentally safe technologies in the process of using non-traditional and renewable energy sources and types, including the number of emissions and discharges of pollutants into the environment in the process of production of alternative fuels;

providing legal entities and individuals with subsidies, subventions, tax, credit and other privileges established by the relevant laws of Ukraine to stimulate development and introduction of new technologies, equipment, materials in the process of production (extraction) of alternative fuels;

incentivization of enterprises - manufacturers of machines, mechanisms, devices, power installations, other technical means and devices related to them, working on alternative types of fuel, as well as enterprises, institutions, organizations and citizens who convert appliances working on traditional types of fuel, for consumption of alternative fuels;

stimulation of investment activity and introduction of the latest technologies in the sphere of alternative fuels by creating a preferential regime for investment and other economic activity for foreign investors;

provision, in accordance with the law, of special state guarantees for protection of foreign investments aimed at development of alternative fuels;

creation of a special information fund for the purpose of accumulation, systematization and dissemination of information on availability of non-traditional sources and types of energy raw materials in Ukraine.

Article 10. Financing measures to incentivize production (extraction) and consumption of alternative fuels

Financing measures to incentivize production (extraction) and consumption of alternative fuels shall be carried out at the expense of enterprises, institutions, organizations (regardless of ownership), state and local budget, other sources not prohibited by law.

Article 11. Standardization

Establishing a set of norms, rules, requirements, indicators regarding technology of production (extraction) and consumption of these fuels, their quality, environmental safety, safety for human health and labour shall be the purpose of standardization in the field of alternative fuels.

Standards that establish quality requirements for alternative fuels must ensure efficient and economical use of the fuel's energy potential.

Consumer quality indicators for each alternative fuel shall be established in relevant standards.

These indicators must be the basis for all calculations concerning alternative fuels (production and sales volumes, technical, economic, commercial and other indicators).

Environmental safety standards for alternative fuels and indicators on safety for health and work of people must be within the thresholds established by legislation for traditional fuels.

Article 12. Regulatory norms and thresholds

Cost energy indicators of production (extraction) of alternative fuels from non-traditional sources and types of energy raw materials, fuel consumption indicators for various appliances, other technical and economic indicators, as well as environmental safety standards, sanitary standards shall be established on the basis of regulatory norms and thresholds valid in the sphere of alternative fuels.

Section IV.

VIOLATIONS OF LEGISLATION IN THE SPHERE OF ALTERNATIVE FUELS

Article 13. Violations in the sphere of alternative fuels

Violations in the sphere of alternative fuels shall include:

sale by manufacturers, legal entities and individuals of alternative fuels that do not meet standards, specifications;

production, marketing and consumption of traditional fuels as alternatives;

providing incentives to producers and consumers of alternative fuels whose activities do not comply with requirements of legislation on alternative fuels;

failure to comply with orders, prescriptions of authorities that supervise and control compliance with effective legislation on alternative fuels, as well as obstruction of their activities;

unjustified refusal to provide relevant authorities with necessary information on production (extraction) and consumption of alternative fuels.

Laws of Ukraine may also establish other violations in the sphere of alternative fuels.

Article 14. Liability for violation of legislation on alternative fuels

Violation of legislation on alternative fuels shall entail disciplinary, administrative, civil or criminal liability.

Enterprises, institutions, organizations irrespective of ownership, as well as citizens shall be required to compensate for damage caused as a result of violation of legislation on alternative fuels, in the manner and in the amount established in legislation of Ukraine.

Section V.

INTERNATIONAL COOPERATION IN THE SPHERE OF PRODUCTION (EXTRACTION) AND CONSUMPTION OF ALTERNATIVE FUELS

Article 15. International cooperation

Ukraine shall participate in international cooperation in the sphere of production (extraction) and consumption of alternative fuels in accordance with legislation of Ukraine and international treaties of Ukraine.

If an international treaty of Ukraine, made binding with the consent of the Verkhovna Rada of Ukraine, establishes rules different from those contained in this Law, then the rules of the international treaty shall apply.

Section VI.

FINAL PROVISIONS

1. This Law shall enter into force on the day of its publication.

2. The Cabinet of Ministers of Ukraine shall hereby be instructed, within six months after the day this Law becomes effective, to:

prepare and submit to the Verkhovna Rada of Ukraine proposals for bringing laws of Ukraine in line with the Law of Ukraine "On Alternative Types of Liquid and Gas Fuels";

bring its regulatory and legal acts in line with this Law;

within its competence, ensure adoption of regulatory and legal acts envisaged by this Law;

ensure that ministries and other central executive bodies review and repeal their regulatory and legal acts that contradict this Law.

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| President of Ukraine | L. KUCHMA |
| Kyiv 14 January 2000 № 1391-XIV | |