



**European Parliament**  
2014-2019

**Verkhovna Rada of Ukraine**

*EU-Ukraine Parliamentary Association Committee*

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**MINUTES**  
**of the 1<sup>st</sup> meeting of the EU-Ukraine PAC,**  
of 24 February 2015, 16:30-19:30,  
and 25 February 2015, 09:00-12:00  
Brussels

The meeting opened at 16:30 on Tuesday, 24 February 2015, with **Mr Andrej PLENKOVIC** and **Mr Ostap SEMERAK**, Co-Chairs of the EU-Ukraine PAC, co-presiding.

### **1. Formal opening**

*Opening remarks by the co-chairs of the EU-Ukraine PAC*

- Mr Andrej Plenkovic, Co-Chair of the EU-Ukraine PAC
- Mr Ostap Semerak, Co-Chair of the EU-Ukraine PAC

**Mr Andrej PLENKOVIC** and **Mr Ostap SEMERAK** welcomed the participants and underlined that the first PAC meeting coincided with the first anniversary of the Maidan events. In the new framework of the PAC, MEPs and MP from Ukraine will build up upon the previous work of the Parliamentary Cooperation Committee (PCC) and will further enhance the inter-parliamentary dialogue.

*Opening statements*

- by Martin Schulz, President of the European Parliament
- by Volodymyr Groysman, Speaker of the Ukrainian Parliament

In his opening statement, **Mr Martin SCHULZ** recalled the strong links between the EU and Ukraine and mentioned the EP Resolution on Ukraine adopted in January 2014, which underlined the need to implement vital reforms despite significant security challenges. Mr SCHULZ informed about the capacity building programme agreed with Speaker GROYSMAN as an important way to deepen cooperation between the Ukrainian Parliament and the EP. Mr SCHULZ pointed out that the EP considers the unilateral annexation of Crimea by the Russian Federation as an unacceptable breach of international rules.

**Mr Volodymyr GROYSMAN** expressed his gratitude to the members of the EP for their support to Ukrainian people and Ukraine's European aspirations. He underlined the important role of the PAC as one of the elements of EU-Ukraine cooperation. Mr GROYSMAN confirmed that Ukraine's homework is the implementation of reforms and underlined that the common task for the EU and Ukraine is to stop the aggression from Russia.

## **2. Adoption of the draft agenda**

The draft agenda was adopted as tabled.

## **3. Exchange of views on recent political and security developments and the situation in the Eastern regions of Ukraine**

- *Opening statements by the Government of Ukraine, the European Commission and the European External Action Service covering:*

**Mr Vsevolod CHENTSOV** (Director, DG for the European Union at the Ministry of Foreign Affairs) recalled that in October 2013 the EP held an active discussion on the outcomes and consequences of the Vilnius Eastern Partnership Summit where two options were discussed: the signature or the non-signature of the Association Agreement. According to him, the current situation presents a third option whereby the AA has been signed and ratified but both Ukraine and the EU have to face aggression from the Russian Federation. Mr. CHENTSOV pointed out that in accordance with the Minsk Agreement of 12 February 2014, the Ukrainian side ceased fire on 15 February 2015, but militants supported by Russia refused to adhere to the agreement, and carried out an offensive in Debaltsevo. He informed that Ukrainian positions were attacked 330 times with different kinds of armed systems and tanks. As a result, Ukrainian army lost 50 service men and 250 were wounded. In his opinion, the restrictive measures against Russia should remain and, if necessary, reinforced. At the same time, he stressed that it is important to engage Russian civil society to support those Russians who oppose the regime. Mr CHENTSOV stressed the importance of the EU to maintain its strong position on non-recognition of the annexation of Crimea. In conclusion, Mr CHENTSOV emphasised the importance of the EU to be united in its position towards Russia. Working together on the completion of the Third Energy Package and creation of a vibrant energy market in the EU will also be a strong answer to Russian aggressive energy policies.

**Mr Christian DANIELSSON** (Director General at DG NEAR) emphasised the essential role of the PAC for the EU-Ukraine cooperation. He pointed out that actions of Russia backed separatists in Donetsk and Luhansk regions and the illegal annexation of Crimea had devastating effects on Ukraine. In his opinion, it is very important to work on the full implementation of the Minsk Agreement as a basis for a sustainable solution to the conflict. He underlined Ukraine's progress in fight against corruption, setting up new structures and reforms of judiciary, public administration and civil services, energy sector and more generally the improvement of business environment along with the constitutional reform, decentralisation and restructuring of Naftogaz.

**Mr Luis Felipe FERNANDEZ DE LA PENA (Managing Director at the EEAS)** discussed the significant security threat to Ukraine, the humanitarian situation as well as the difficult economic and financial situation in the country. He emphasised that the EU is united

in the wish for a stable and prosperous Ukraine and will continue its support to the country. According to him, a pre-condition for a sustainable political solution to the crisis lies with full compliance of the Minsk Agreement and the UN Security Council Resolution. The OSCE Special Monitoring Mission (SMM) plays a vital role in observing and reporting developments on the ground. In line with the Minsk Agreement, the EU will continue working with Ukraine and Russia in the energy sector and assured that the EU will continue to facilitate the talks on the implementation of the DCFTA. He underlined that the reform process in Ukraine should be inclusive and in line with constitutional and legal framework of Ukraine and European standards. In conclusion, he underlined that the PAC will play an important role in the overall development of EU-Ukraine relations by presenting its recommendations to the Association Council.

- *State of play of EU-Ukraine relations*

**Mr SEMERAK** pointed out that Ukrainian delegation to the PAC consists of representatives of all political parties from the Verkhovna Rada. The importance of this meeting is highlighted by the presence of representatives of the Ukrainian government, in particular Ms Nataliya GNYDIUK, Deputy Minister of the Cabinet of Ministers, Director of the Governmental Office for European Integration and co-Secretary of the Association Council. Mr SEMERAK outlined the system of coordination for the implementation of the AA established in Ukraine based on the experiences of Poland and Lithuania, which includes the opening of the Government's Office for European integration and the appointment of Deputy Ministers in charge of implementation of the AA in every Ministry. Mr SEMERAK emphasised that a lot of legislation in Ukraine is prepared jointly with EU experts, in particular in the field of fight against corruption, deregulation and removing obstacles to trade. In relation to future EU-Ukraine relations, Mr SEMERAK outlined key priorities a) expectations for a European perspective for Ukraine at the Riga Eastern Partnership Summit; b) visa free regime for Ukrainian people; c) enhanced sanctions against Russia; d) more assistance for modernisation of Ukraine's economy; e) support in providing defensive weapons to Ukraine. The Co-Chair reiterated that the work of the EU-Ukraine PAC is a priority for Ukraine as a part of its internal policy.

**Ms Anna Maria CORAZZA BILDT** expressed her support and solidarity with Ukrainian people. She underlined that Russian aggression against Ukraine is a threat to the peace and security of the whole Europe and that the EU should react stronger on Russia's attempts to divide and weaken the EU bodies. In her opinion, there are no EU rules which prevent individual MS to provide military support to Ukraine for its defence. She emphasised that the EU's economic power should be used to support Ukraine and that more sanctions should be introduced in case non-compliance with the Minsk Agreement. Ms CORAZZA BILDT welcomed Ukraine's progress in reforms achieved despite the war and called on EU to support visa free regime with Ukraine.

- *Recent political developments in Ukraine*

**Mr Yuriy LUTSENKO** outlined the internal situation in the country which in addition to Russian aggression, has to deal with internal enemies (oligarchs, corruption, poverty and over centralised state). In his opinion, Ukraine has always been between the Western and Eastern civilizations and Maidan movement was about achieving freedom and introducing European reforms to improve standards of life. Mr LUTSENKO underlined that there is no civil war in Ukraine. According to him, the most recent attack in Kharkiv was made by people trained in Russia and there is a threat of new military actions aimed at dividing Ukraine. Mr LUTSENKO

emphasised the need for defensive weapons and for technical and financial assistance for internal development of the country. Talking about local elections in Donbas he underlined that such elections would only be possible after the complete achievement of cease fire, removal of all heavy weapons, release of all detainees and humanitarian corridor. In his opinion, there is no possibility to create a confederation in Ukraine as it will lead to the control of several oligarchs over the country. Mr LUTSENKO informed that the constitutional reform process has started by electing the members of the constitutional reform committee.

**Ms Rebecca HARMS** expressed concerns over the EU's divided positions on the Ukrainian crisis. She recalled her experiences of visiting Eastern Ukraine and underlined that it is essential to reach to the people of Donetsk and Luhansk. Only with successful reforms Ukrainian government will regain support from their people. Ms HARMS supported the idea of the UN security mission to Ukraine when the cease fire is achieved. She emphasised a need for legal reforms and reminded about the absence of results on the investigation of sniper shootings at Maidan.

**Ms Sandra KALNIETE** stated her respect to the Ukrainian people and emphasised that the country needs support to strengthen its defence capacities. In her opinion, if the cease fire under the Minsk agreement is not respected, the EU should strengthen sanctions against Russia, to close access to SWIFT and go as far as building a wall around Eastern territories of Ukraine, similarly to Western Germany.

**Mr Boguslaw LIBERADZKI** underlined that it is essential to focus on the future of Ukraine: reforms, investments and reconstruction. While the EC has confirmed its support, Ukraine showed its commitment to the European path. Mr LIBERADZKI pointed out that there is a need for a complex approach to the reform agenda and reconfirmed the EP's support to Ukraine.

**Mr Tibor SZANYI** strongly emphasised that the decisive majority of EU politicians are in favour of complete territorial integrity of Ukraine. He underlined that the key target in Ukrainian crisis is to achieve peace, not just the cease fire. According to him, the results of assistance provided to Ukraine are built on EU's unity. Mr SZANYI criticized the Hungarian Prime Minister for not keeping the EU's unity in public appearances.

- *The situation in the East of the country*

**Ms Iryna GERASCHENKO** informed about the situation in Eastern Ukraine. The undeclared war with Russia has resulted in the loss of Ukrainian territory and 20% of the country's economy, 6 000 lost lives and 5 000 wounded military and civilians, among them many children. She informed about the situation in Kharkiv and Kramatorsk, which are located far away from the front line, but where people still die because of provocations and attacks. According to her, the support programmes provided by the EU and the EP need to be strategic and targeted. Ms GERASCHENKO who frequently visits the front line reaffirmed Ukraine's commitment to peace. She informed that when the humanitarian corridor for evacuation was created in Dybaltsevo, 760 people chose to go to the Ukrainian side and only 40 people - to the territories controlled by terrorists. Ms GERASCHENKO explained that the Ukrainian government cannot deliver pensions and humanitarian assistance to the people who live on the occupied territories because of the constant armed attacks from separatists. Meanwhile, unverified Russian humanitarian convoys brought in to the occupied territories raise many questions as the attacks increase after every such a convoy delivered. She emphasised that humanitarian assistance would not be efficient without the support of the

army. Due to the specific situation in Ukraine, she requested more financial and technical assistance for programmes, which would allow reintegration of IDPs into the society.

**Mr Mykola KNYAZHYTSKY** informed about the situation in Mariupol and pro-European perceptions of its population. He recalled that Ukrainian civil society was born at Maidan under the slogan of European integration and that by helping Ukraine, Europe is helping to protect itself. He asked the MEPs to talk to their respective governments in order to explain that the war is not just Ukrainian, but a European one. He pointed out that Europe is exposed to Russian propaganda through a well-developed coverage of Russian TV channels.

**Mr Jacek SARYUSZ-WOLSKI** pointed out that there is no country in Europe which has done reforms in the time of war and with no financial resources. In his opinion, it is wrong to speak about reforms in Ukraine without sanctions against Russia and without providing weapons to the Ukrainian army. Mr SARYUSZ-WOLSKI pointed out to the fact that separatists, supported by Russia do not respect cease fire and that after every Minsk agreement Ukraine loses more of its territory. As there are worrying signals of corruption in the newly elected administration, he warned the Ukrainian side that any signs of corruption will lead to the end of European financial assistance. At the same time, he criticized the inefficient and late steps taken by the European Commission to help Maidan and overcome Russian information war. According to him, Ukraine is using politically correct language when speaking to Europe and it is not calling officially the situation in the East a war, but Anti-terrorist operation (ATO). He criticised the Ukraine's position to delay the DCFTA and putting the burden of fight on volunteering with lack of support for them.

**Mr Vladyslav ATROSHENKO** illustrated the absence of civil war and language problems in Ukraine on the example of his constituency - region of Chernihiv - where in some villages people speak only Russian. He also emphasised the need for defence weapons to protect Ukraine. According to Mr ATROSHENKO, Ukraine needs assistance in economy, judiciary, legal system and sheriffs system where heads of local police are elected among local people. He introduced an idea to implement cashiers methods of tax payments where the tax is paid when an entrepreneur received money and not when he/she is filling a report. Mr ATROSHENKO spoke in favour of lowering taxes in order to receive more foreign direct investments.

**Ms CORAZZA BILDT** emphasised that Europe is a humanitarian super power and it should be more active in providing necessary assistance. The issue is to have safe humanitarian corridors. As a Co-Chair for the group on children, she expressed concerns regarding the situation of children, their health and access to education in the affected regions of Ukraine. Ms CORAZZA BILDT underlined the need for EP to cooperate with the OSCE on crimes related to the violation of the Geneva Convention.

**Mr Mark DEMESMAEKER** informed colleagues about his visit to the ATO zone where he accompanied volunteers who were delivering aid to military units and civilians. He described the deteriorating humanitarian situation in Donbas and underlined the essential role of volunteers and civil society. According to his observations, the cease fire under the Minsk agreement is not respected by the separatists.

- *The illegal annexation of Crimea by the Russian Federation and the EU policy of non-recognition*

**Ms Mariia IONOVA** recalled the events, which led to the illegal annexation of Crimea: capture of the Crimean Parliament, pseudo-referendum and invasion of "green men". Despite the guarantees of the territorial integrity and security by the Budapest Memorandum, Ukraine has been a victim of aggression from the Russian Federation. 20 000 citizens of Crimea were forced to leave homes and the remaining people live under systematic violation of human rights. The rights of ethnic groups are violated despite them constituting 40% of population. Ms IONOVA stressed the need to develop a strategy including comprehensive support to reforms and humanitarian aid to IDPs.

**Ms HARMS** emphasised that Ukraine has to face a double challenge: win the war and regain the trust of citizens. She pointed out that all the assistance in eastern Ukraine is provided by volunteers, not by the government. Ms HARMS believes Ukraine needs to be ambitious in all reforms, especially in fight against corruption in order to regain trust in the current government.

**Ms GERASCHENKO** emphasised the importance of support for volunteers in Ukraine and informed that some of the new members of the Ukrainian Parliament used to be volunteers. She questioned the efficiency of Russian humanitarian cargos and assistance from some oligarchs to solve the humanitarian crisis in the East. According to her, part of this aid is stolen by separatists, part is sold in the local shops and only one part is given to people in need. She underlined that the EP programmes for supporting civil society and volunteers will be welcomed by the Ukrainian side.

**Mr LUTSENKO** said that the institutions are not functioning well because of a short period of time since the fall of the old soviet-style administration system. According to him, Ukraine needs new Ministry of Defence and Ministry of Justice.

**Ms Ivanna KLYMPUSH-TSYNTSADZE** unlined that the current system of international law is incapable to react to the current challenges. The SMM is not perfect and as a result there is no efficient system of monitoring the situation in Ukraine. Russia as a member of the UNSC has a veto power over any resolution that can save Ukrainian lives. The EU has a viable and working decision-making system where Ukraine can ask for help. One of examples of such help could be to lunch a CSDP mission.

**Mr DANIELSSON** informed that the humanitarian assistance from the EC currently amounts to 57,5 million (with an additional 44 million from the MS). There is a need for Ukrainian side to make sure that aid is delivered.

## **6. First consideration of the draft Rules of Procedure for the EU-Ukraine Parliamentary Association Committee**

As time allowed, a discussion was held on the draft Rules of Procedures for the functioning of the EU-Ukraine PAC (agenda item 6). In the absence of comments, **Mr PLENKOVIC** informed that they will be submitted to the EP Bureau for approval in view of their approval at second meeting of the PAC.

**25 February 2015, 9:00 – 12:00**

**Second working session**

*In the presence of the EEAS and the European Commission*

**4. Implementation of Association Agreement and Ukraine's European reform agenda**

Two speakers, Ms Nataliya GNYDIYK (Director of the Government office for the European Integration) and Mr Gunnar WIEGAND (Director at EEAS) made some opening statements.

**Ms GNYDIYK** informed that the National Plan on the Implementation of the EU - Ukraine Association Agreement was adopted on 17 September 2014. She informed that the AA started to be implemented even prior to its official ratification. The legislative side of the AA has been so far the most active aspect of the AA implementation including the implementation of deregulation initiatives, endorsement of several DCFTA laws and a law on food safety. The Government's Office for European Integration was created to monitor and coordinate the work of executive in the process of implementation of the AA. It provides analysis and assessment of the progress made in its quarterly reports.

**Mr Gunnar WIEGAND** underlined that the implementation of the AA will help Ukraine to cope with the reform process. He emphasised that it is the first generation of the association agreements with the EaP countries and that they are the most advanced agreements ever negotiated by the EU with the provisions for deepening of economic and political relations. The Agreement has been negotiated for 5 years and it has a great symbolic value referring to the events of Maidan. It is expected that the AA will be ratified by the majority of the EU MS by the Eastern Partnership Summit in Riga in May 2015. Mr. WIEGAND underlined that this Agreement is a catalyst for achieving European Ukraine. Commissioner Hahn has recognised the positive reforms done by Ukraine in the field of fight against corruption and decentralisation of the gas sector. The EU will look at concrete further steps in the areas of judicial sector, administration, gas sector, constitutional reform and decentralisation. The Association Agenda is the main political tool of the Association Agreement that provides practical framework of priorities. He emphasised that the process of implementation will be monitored by coordinated efforts of the EEAS, the EU Support Group for Ukraine, DG NEAR, DG TRADE and the EU Delegation in Kyiv. The Representative of the EEAS stressed the essential role of coordination with the legislature for the effective implementation of the agreement.

- *Constitutional reforms (including decentralisation); electoral reform*

**Ms Oksana YURYNETS** outlined key aspects of the constitutional reform. Based on the analysis conducted by the Venice Commission, key reforms have been included into the text of the coalition agreement with the focus on decentralisation and the reform of judiciary. Ms YURYNETS underlined the importance of EU's expertise in decentralisation process, but emphasised that decentralisation in the form of federalisation would not be acceptable for Ukraine. One of key aspects of the constitutional reform would be a new base for local elections and have proportional representation system. In her opinion, the implementation of the peaceful plan of the President is a key to conducting local elections in the East of Ukraine.

**Ms Andrea BOCSKOR** pointed out that Hungarian minority living in Ukraine welcomes the political will for reforms. She expressed hopes that in the future the process of

decentralisation ensures that representatives of minorities have more possibilities to take full part in decision-making process at the regional level. She underlined the importance of using Hungarian language in education and administration systems.

- *Rule of law and respect for human rights and fundamental freedoms*

**Ms Aliona SHKRUM** presented the situation on human rights and the rule of law in Ukraine. She informed that the Verkhovna Rada adopted a new law on judiciary providing for a new system for qualification of judges. While the outcomes of the judiciary reform will be noticeable for citizens only in the long-run, the results of the anti-corruption reform will be observable immediately and will help to regain trust of people in institutions. Ms. SHKRUM informed that the national Anti-Corruption Bureau is being established. According to Ms. SHKRUM, a third important reform is the reform of public administration and civil service. The Representative from Ukraine also informed about the situation with IDPs in Ukraine. According to her, the Ukrainian government does its best to protect their rights and to provide them with shelter and food. MPs are working closely with the Ministry of Social Policy, Anti-Terrorist Centre, Presidents Commission on the Rights of Children and the Commission of the Parliament on Human Rights to implement a strategy on the protection of rights of IDPs. Ms. SHKRUM informed about the open committee hearing in the Ukrainian Parliament on new legislation on the rights of IDPs. The coordination in Ukraine has improved, but still Ukraine needs more expertise, especially in the field of psychology. At the end of her intervention she emphasised the important role of sanctions introduced against Russia for violating human rights. She reminded that the rights of minorities, freedom of speech and assembly are violated in Crimea on a daily basis.

**Mr Tibor SZANYI** asked if Ukraine has a public timetable to complete the constitutional reform and what stakeholders will be involved in this reform?

**Mr Yuriy LUTSENKO** provided an outline for the constitutional reform process, which will start with the reform of judicial branch and decentralisation reform with more rights to be given to local governments. In his opinion, the possible date for the amended text of the constitution will be at the beginning of the next year. During this time, the local government elections will take place.

**Ms Kaja KALLAS** underlined that democracy is built on trust and people have to trust their legislatures in order to obey laws. Estonia used to have problems with corruption, but they introduced necessary laws and carried reforms in economic sector. She presented Estonian experience of creating a special agency on privatisation with the assistance of foreign agents. She also encouraged the Parliament to be open and transparent for people.

**Mr Volodymyr GUSAK** spoke about the economic situation in Ukraine from the point of view of the opposition party. Ukraine has suffered the worst economic crisis in its history during which the Ukrainian currency devalued 4 times from 8 UAH/1USD to 32 UAH/1USD. At this exchange rate, the average wage in Ukraine is slightly above 100 USD and GDP is around 1000 USD. According to him, Ukraine suffers from government's economic mismanagement and corruption. He underlined the importance of holding current Ukrainian authorities accountable.

**Mr Mark DEMESMAEKER** asked about the differences between the process of decentralisation and federalisation.

**Ms Oksana PRODAN** answered to Mr DEMESMAEKER that there are no historic grounds for federalisation in Ukraine as there was no territory that used to be a separate country. The idea behind decentralisation is to give local governments more authority over the collection and distribution of financial resources. Ms. PRODAN stressed that Ukraine needs EU's assistance in order to establish a well-functioning economic system and to be able to return all the loans. As the implementation of the DCFTA is a priority in Ukraine, she outlined key results of its implementation: introduction of EU standards for the production of food from September 2015, application of technical regulations from January 2016 and implementation of first stages of public procurement system. She encouraged the EU to continue its work with Ukrainian Parliament, government and civil society organisations.

- Measures adopted or under elaboration in the field of judicial reforms

**Ms Viktoria PTASHNYK** cited a paragraph from the coalition agreement, signed by 5 political parties regarding the reform of judiciary. She outlined key objectives of the reform. Short-term objectives include 1) development and implementation of necessary legislation; 2) restoration of general competence and jurisdiction of the Supreme Court of Ukraine; 3) introduction of transparent rules of appointment and dismissal of judges; 4) adoption of unified rules for professional qualifications and professional development of judges; 5) introduction of new rules of disciplinary liability of judges; 6) development of a public mechanism of judicial self-governance system. The medium goals for this reform include the following amendments to the Constitution of Ukraine: 1) elimination of the decisive role of the President and the Verkhovna Rada in appointment and dismissal of judges; 2) increased minimal age for judges from 25 to 30 years old; 3) requirement for increased working experience of a judge to at least 5 years of legal practice. Ms. PTASHNYK outlined several other issues which do not require changes to the Constitution that include: 1) decreasing the case load for a judge to the adequate number in order to deliver well-prepare judgements; 2) development of efficient mechanisms for out-of-courts settlements (arbitration, mediation to decrease number of cases in open court); 3) improvement of procedural rules in order to ensure transparency and accessibility for citizens.

- State of play of implementation of the Visa Liberalisation Action Plan

**Ms Annita HIPPER**, DG HOME presented the state of affairs in the visa liberalisation process with Ukraine. Since mid-2014 Ukraine is in the second phase of the Visa Liberalisation Action Plan with a focus on implementation of reforms. Several assessment missions have taken since September 2014 and the next report is expected to be presented at the end of March 2015.

**Ms Ivanna KLYMPUSH-TSYNTSADZE** asked MEPs to look at the visa liberalisation process from the point of view of ordinary citizens. She emphasised that in 2014 the Ukrainian authorities implemented more provisions of the VLAP than during the previous 6 years. Ms KLYMPUSH-TSYNTSADZE informed that since the beginning of 2015 Ukraine has started issuing biometrical passports and by the end of this year 2,5 million passports are expected to be issued. She informed that only 3 out of 90 points of VLAP are not fully implemented. In her point of view, the EU can apply a wider view on the visa liberalisation

process and do a symbolic gesture at the Riga Summit to give visa free regime to Ukraine by the end of 2015.

- *Initiative on the EP Democracy support activities envisaged for Ukraine*

**Mr PLENKOVIC** recalled the initiative of Mr SCHULZ on the Democracy support activities of the European Parliament in order to help developing institutional capacities of the Verkhovna Rada. He informed that he was appointed to lead the democracy support programme for Ukraine. The goal is to consolidate democratic processes in Ukraine and to help implementing the AA. Ukraine will be offered trainings, seminars, study-visits and other assistance on different European issues. After close consultations with the President of the EP, concrete activities will be presented.

### **5. The EU-Ukraine relations in the field of trade, investments, financial assistance and energy**

- *Perspectives of the Deep and Comprehensive Free Trade Area between Ukraine and the EU*

**Mr Luc DEVIGNE** (Head of Unit, DG TRADE) informed about the progress in the implementation of the DCFTA. The trade relations between the EU and Ukraine have improved. He expressed regrets about the limited increase in trade volumes due to the difficult situation in the country. Mr. DEVIGNE pointed out to the issues with food safety and bans against some of the EU agricultural exports.

- *Cooperation in the industrial and investment spheres*

**Mr Victor GALASIUK** underlined the need for Ukraine to develop industry and hi-tech business. There is a problem of unemployment, trade balance and labour productivity in Ukraine. He informed that the Committee of Industrial Policy and Entrepreneurship of the Verkhovna Rada recently drafted a law on Industrial Policy Framework for Ukraine. Ukraine needs expertise and investments in order to change its model from import-mode to production-mode.

**Mr Luc DEVIGNE** supported suggestion to develop higher value-added products and emphasised that the implementation of the DCFTA, in particular its provisions on intellectual property rights protection, will help this process. He underlined that Ukraine needs well-functioning and independent judiciary system in order to protect potential investments.

- *Review of the EU financial assistance to Ukraine*

According to **Mr Gerhard SCHUMANN-HITZLER**, DG NEAR, Ukraine is confronted with 3 main challenges: security, humanitarian situation and financial and economic stability. The European Neighbourhood Policy Instrument (ENPI) provides assistance for the fundamental reforms: constitutional reforms and decentralisation, rule of law, fight against corruption and economic recovery. Last year 355 million euro were given to state-building contracts which have enabled the government to implement necessary reforms and another 10 million euro were given to support civil society organisations. Mr. SCHUMANN-HITZLER proposed to create a sub-committee within the PAC which would monitor the use of the EU funds for the support of reforms. The EU allocated 55 million euro to support regional

development strategy, part of which was given for the projects dealing with IDPs. He informed that 19 projects covering 15 regions were selected for funding which will include funding for housing and shelter, medical services, creation of job and improvement of small-scale infrastructure. The EU will prepare new special measure to focus on support to SMEs. Mr. SCHUMANN-HITZLER informed that the Support Group for Ukraine gives advices in all areas of the AA and reforms and it has established working relations with the Rada to offer technical assistance on how to prepare necessary laws for reforms. In conclusion, he said it is important to concentrate on areas with short-term results because people in Ukraine and in the EU need to see that things are changing.

**Ms GNYDIUK** informed that Ukraine will receive second tranche of state-building contract and indicators are expected to be fulfilled. She emphasised the importance of additional budget support programmes for transport, environment and infrastructure development. She informed that at the moment 200 permanent EU experts work in Ukrainian institutions and about 400 technical assistance projects are running in different spheres. Ms GNYDIUK suggested to conduct impact analysis of this assistance and to identify sectors which are not covered by assistance.

**Mr PLENKOVIC** informed that the PAC can form sub-committees. He proposed both sides to evaluate the need to create a sub-committee on monitoring of the effectiveness of financial assistance to Ukraine.

- *Cooperation in the energy sphere between Ukraine and the EU*

**Mr Hans Van STEEN** (DG ENER) gave an overview on the EU-Ukraine cooperation in the energy field. Progress has been made in key areas of cooperation outlined in the Memorandum of Understanding on Energy Cooperation such as nuclear safety, electricity and gas market integration, security of supply and transit, coal sector and energy efficiency and renewable energy. The priority sector for EU-Ukraine cooperation is gas and electricity integration and the basis for this cooperation is the Energy Community Treaty to which Ukraine is a member since 2011. Mr. STEEN highlighted that energy security in Ukraine is still very fragile and informed that last year the EU conducted stress test on energy security to make sure that the supply will be sufficient for winter. He mentioned the need to update the Memorandum of Understanding signed in 2005. Speaking about the gas crisis and the Winter Package agreement between the EC, Ukraine and Russia Mr. STEEN underlined that Ukraine is an important transit country providing 50% of EU's gas supply. The Winter Package is an agreement on prices, debts and deliveries based on pre-payments. The EC is keen on ensuring full implementation of this agreement. According to Mr. STEEN, there is a need for a long-term solution which is expected to come from the decision of the Stockholm arbitration court on disputes between Ukraine and Russia on gas delivery. He highlighted priority reforms in the energy sector: 1) adoption and implementation of the Third energy package by April 2015, 2) restructuring of Naftogaz to have an independent transmission system operator (TSO); 3) adjustment of prices accompanied by social correction; 4) better transparency in the energy sector and independence of energy regulator.

**Ms KALLAS** suggested that with the help and experience of many EU MS, Ukraine can substitute natural gas with renewable sources. In her opinion, gas market in Ukraine should be liberalised to ensure equal access.

**Ms YURYNETS** spoke about the importance of shell gas extraction and Ukraine's independence in the energy sector.

**Mr DEMESMEKER** asked if it would be a good idea to open procurement to international companies in resourcing of nuclear fuels and in supply of equipment to nuclear plants.

**Mr Andriy LOPUSHANSKYI** informed about a draft law on Energy Market expected to be adopted in April which was developed in line with Third Energy Package. According to this law, Naftogaz will be split in several companies responsible for manufacturing and delivery of gas. He outlined a problem of increased gas prices for Ukrainian citizens whose salaries and pensions are very low. Development of renewable energy and domestic production of gas requires big foreign investments and safe environment.

**Mr Victor GALASIUK** mentioned that an initiative group on tourism and sport would like to connect with their European colleagues to receive recommendations and input on the system of financing for tourism.

**Mr van STEEN** agreed with Ms KALLAS on the importance of interconnectors and potential of exploring biomass energy in Ukraine. In his opinion, energy independence from Russia is not a realistic objective. Diversification of energy sources can be one of the ways to increase energy security, and the shell gas has a big potential. According to him, for the moment, there is no secure environment for investments in Ukraine and generally in the Energy Community countries. Nuclear fuel market requires long-term contracts and necessary environment. He suggested approaching the Energy Community Secretariat in Vienna for necessary assistance in finding a right model to comply with the EU requirements. Even though gas prices have strong social dimension, it is necessary to bring them to the market level in Ukraine.

## **7. Consideration and approval of Joint Statement and Recommendations**

A number of amendments were considered and the Joint Statement and Recommendations was approved unanimously.

### **Concluding remarks:**

**Mr SEMERAK and Mr PLENKOVIC** closed the meeting. Both of them emphasised that Ukraine is eager to fulfil the Association Agreement and encouraged members of the PAC to be active and promote Ukraine's integration into the EU.

The meeting closed at 12:00.