

September 19, 2023

## Toward the Japan-Ukraine Conference for Promotion of Economic Reconstruction

Shoichi Itoh

Senior Fellow, Energy Security Unit  
The Institute of Energy Economics, Japan

It has been more than a year and a half since the Ukraine War broke out. The fierce battles between the Ukrainian and the Russian armed forces are ongoing without any way out coming into sight. However, the international community has already started looking ahead to Ukraine's post-war recovery.

The Ukraine Recovery Conference, co-hosted by the United Kingdom and Ukraine in London in June 2023, attracted the participation of representatives from 61 countries (governments, international organizations, non-governmental organizations and around 500 businesses and other entities from 42 countries, including approximately 50 Japanese companies). They agreed to contribute a total of \$60 billion as additional assistance, according to the UK's Foreign, Commonwealth and Development Office. In Japan, the Council on Preparation for Promotion of Ukraine's Economic Reconstruction was launched under the Cabinet Secretariat in May 2023 with the goal of pursuing public-private collaboration, and preparations for organizing the Japan-Ukraine Conference for Promotion of Economic Reconstruction in Tokyo in early 2024 are currently moving ahead.

One of the key agenda pertaining to support for Ukraine's reconstruction is the rebuilding of the country's energy infrastructure. The G7 Leaders' Statement on Ukraine, which was announced on the occasion of the G7 Hiroshima Summit in May 2023, specified that support will be implemented for the sustainable and resilient recovery and green reconstruction of Ukraine with the upgraded restoration of its energy infrastructure.

In November 2022, the G7 countries and Ukraine, together with Poland, Czech Republic, Slovakia, Romania, Bulgaria, Norway, Sweden, the three Baltic states, the European Union (EU), the Energy Community Secretariat, the World Bank Group, the European Bank for Reconstruction and Development (EBRD) and the United Nations Development Programme (UNDP), established the G7+ Ukraine Energy Coordination

Group (hereinafter abbreviated as “the G7+CG”), for the purpose of restoring and protecting energy infrastructure in Ukraine. On the occasion of the above-mentioned Ukraine Recovery Conference in London, the G7+CG established the Clean Energy Partnership for the Sustainable Recovery and Reconstruction of Ukraine’s Energy System.

This Partnership sets the guiding principles for the reconstruction of Ukraine’s energy infrastructure with increases in the production and use of low carbon energy sources while reducing carbon emissions from power generation in light of meeting the Paris Agreement goals, which aim for a carbon-neutral future, as well as ensuring compliance with the EU’s energy system. Additionally, the Partnership emphasizes the need to accelerate the liberalization of electricity and gas markets and that of bringing state-owned energy companies into compliance with the standard of corporate governance set by the Organization for Economic Co-operation and Development (OECD) in view of expanding investment opportunities by the private sector with an aim to build a clean and decentralized modern energy system.

As of 2021, Ukraine’s demand for primary energy was equal to a little more than 20% of Japan’s demand at 88 million tons of oil equivalent (Mtoe). The component ratios of natural gas, nuclear power, coal, oil, and renewables in Ukraine’s energy mix were 27%, 26%, 24%, 17%, 6%, respectively, according to the IEA’s statistics. Actually, Ukraine is one of the foremost coal producing nations in Europe, and the country’s domestic coal consumption (21 Mtoe) in 2021 was equivalent to approximately 40% that of Germany – the largest coal consumer in the EU. In other words, it was by no means an easy issue for Ukraine to ensure a certain level of energy self-sufficiency with stable energy supplies, if low carbonization was required, even before the start of Russia’s invasion in February 2022.

The future rebuilding of the energy system in Ukraine can be envisaged to involve a variety of fields, such as the introduction of distributed power generation system (including renewables), clean coal as well as energy-saving technologies, and the gradual replacement of the nuclear power plants with 15 Russian-type pressurized-water reactors constructed during the Soviet Union era. It might well be that the Japanese industry would find a variety of potential roles to play in the reconstruction of Ukraine’s energy system.

However, when it comes to promoting assistance for economic reconstruction in Ukraine, including in the energy sector, widespread corruption is the most serious concern,

aside from the course of its war with Russia. According to the Corruption Perceptions Index, released in January 2023 by Transparency International, a Berlin-based non-profit organization, of the 180 countries covered by the research, Ukraine ranked 116th (cf., Russia ranked 137th).

Ukrainian President Volodymyr Zelenskyy made a political pledge to eradicate corruption and combat the oligarchs (wealthy elites having collusive relationships with the political community), which is a hotbed of corruption, and worked to establish the Anti-Oligarch Law (which came into effect in May 2022). Nevertheless, even amid the war, problems such as bribery and misappropriation of goods remain rampant. For example, in September 2023, Ukrainian Defense Minister Oleksii Reznikov was dismissed as a way of having him take responsibility for allegations of corruption that surfaced at his ministry. The G7 held a Justice Ministers' Meeting in July 2023 and agreed to establish the Anti-Corruption Task Force for Ukraine and strengthen cooperation with the Government of Ukraine, with the aim of working for the improvement of the investment environment, which is essential for the effective utilization of financial support for, and investment in, Ukraine.

Ukraine has the largest land area (1.6 times that of Japan) in Europe, and enjoys a geopolitically important location in the region. Although there is no exit in sight for the quagmire posed by the Ukraine War at the present point, looking ahead, reconstruction of economic infrastructure (in the energy and other fields) in Ukraine is of critical importance that would entail impacts on political, economic and energy landscapes not only in Europe, but also on the global scale. It is a pressing issue for Tokyo to draw on the combined ingenuity of the public and private sectors in order to identify the roles Japan as the current holder of the G7 presidency could play and to exert its leadership in the forthcoming Conference for Promotion of Economic Reconstruction to be co-hosted by the Government of Ukraine, and following that event.

Contact: [report@tky.ieej.or.jp](mailto:report@tky.ieej.or.jp)