Conclusions

On the one hand, there is a wide body of empirical data and research papers outlining the relationship between the state of the environment and energy policy (i.e., initiatives focusing on energy efficiency and renewable sources of energy). Such initiatives include setting minimum efficiency standards for buildings, appliances and lighting, providing grants and other incentives for renewable energy use, running informational campaigns, and setting up effective energy efficiency centres and agencies for implementation. The EU countries have been the most successful in improving the energy efficiency of their economies (e.g. Denmark, Germany and the Netherlands) and have clearly linked the energy and environmental sectors through governmental policies and programs.

On the other hand, prior to 1991, countries of the Former Soviet Union paid only lip-service to the role of energy efficiency in their centrally-planned economies. Low energy prices, extensive subsidies throughout the energy system, and a quota system of energy allocation provided clear disincentives to save energy. High energy intensity levels were viewed as a sign of economic development and progress, hence, high energy use was encouraged. Some of this legacy remains both in cultural attitudes and the inefficient infrastructures still in place today.

In Ukraine, linkages between energy and the environment are evident in all phases of energy production, transformation, and end-use. They extend from highly localized effects (at the level of the household) to the global level. On the local level, the most serious energy-environment problems are the effects of emission of particulate matter (dust and smoke), SO_2 and indoor air pollution arising from the use of coal (in the rural areas) and leaded gasoline (in the urban areas). These and other local level problems lead to increased levels of greenhouse gases in the atmosphere which contribute to the severe regional and transitional problems of acid rain, stratospheric ozone depletion, and the degradation of oceans. Domestic industry, transport, and energy use are prime sources of these environmental problems, which impose serious costs on health and productivity in Ukraine.

Since 1994, Ukraine has proclaimed its introduction of new energy policies. The proclamations are often very general statements of policy, many of which refer to the importance of energy supply. Few of these policy statements, however, are backed up by specific legislation, obligations or resources. Many of the energy policies adopted and applied to date give little significance to energy-environment interactions, provide disincentives for energy efficiency project investment and set misleading and perverse economic signals. Unfortunately, Ukrainian policy makers tend to underestimate the combined energy-environment approach mainly due to time lags. Very often it takes 3 to 5 years or more to realise the environmental and/or economic benefits of such an approach, whereas expiry dates of policy makers' political mandates are much shorter.

The consequences of such circumstances have far reaching implications. Energy efficiency places very low among the priorities on the government's overall policy agenda. Inappropriate energy demand forecasts have been keeping economically marginal power plants and coal mines open. As a result, energy policy is still focusing on construction and/or rehabilitation of unnecessary capacities.[32] Many inexpensive efficiency projects are delayed due to a lack of project management and technical expertise. Energy policies which give a low priority to efficiency compared to energy supply encourage utilities and consumers to waste energy. Pollution externalities are not factored into energy pricing, hence subsidising more polluting energy investments.

[32] Economic Assessment of the Khmelnitsky 2 and Rovno 4 Nuclear Reactors in Ukraine. Report of the EBRD, the EC and the USAID by an International Panel of Experts chaired by Professor John Surrey. Science Policy Research Unit, University of Sussex, 4 February 1997.