

Methods for improving energy efficiency in Ukraine

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Abstract: Improving energy efficiency in Ukraine: reducing regulation and promoting energy conservation.

Key words : “The state failure argument”, “The market failure argument”, investment.

Анотація В статті розглядається Підвищення енергоефективності в Україні: зменшення регулювання та стимулювання енергозбереження.

Ключові слова: аргумент провалу держави, аргумент провалу ринку, інвестиції.

Energy efficiency is undoubtedly one of the priorities of energy policy of Ukraine. Despite the obviousness of this theme, the improvements were fragmentary and energy use remains excessive. The amount of energy used for production of a unit of goods and services is still 3.8 times higher than the average for the European Union. Implementation of energy efficiency measures in households and companies, as well as government agencies, internationally standards remain low. Although there are some steps towards solving these problems have already been implemented, we believe that before developing any economic policy should understand what are the barriers to raising energy efficiency exists in the Ukrainian economy. This is the only way it can be an effective and coherent policy is formulated to address these barriers. The low level of energy efficiency of the Ukrainian economy is explained by two factors.

- 1) Excessive regulation of the market ("argument of failure of the state")
- 2) Insufficient measures to promote energy efficiency (“failure argument

market »)

Reducing excessive government interference, resulting in distortions in economy, is necessary for the development of any further public policy. The main barrier to energy efficiency is the lack of workers energy markets, which is linked to over-regulation. For Ukraine characterized by excessive government interference both on the demand side and on the outside supply in the energy markets. On the demand side, subsidies for energy are still available acceptable at the political level as a means of implementing social policy. In a result, low energy prices create insufficient motivation for saving energy or investing in energy-saving equipment. Moreover, the monopoly structures on the supply side, state property and poor management means that uncompetitive companies with inefficient production technologies determine the portrait of the Ukrainian energy sector. Low energy prices are used for cross-subsidizing energy-intensive companies, which leads to further the use of uncompetitive manufacturing technologies. The state is now has failed to enact legislative changes that clearly define property rights in the construction sector and would be able to invest in energy savings. In general, these restrictions create insufficient motivation for rational use energy, slow down investments in energy efficiency and create significant costs for Ukrainian society. Therefore, these distortions are eliminated a prerequisite for any attempt to improve energy efficiency. The promotion of energy efficiency should be aimed at reducing "dips market » However, even fully liberalized markets cannot reach the required level energy conservation without government support. Market failures are inherent for energy markets. Therefore, public policy is aimed at promotion energy efficiency should address issues such as availability in complete information on current and future energy costs, shortage (long-term) financing, underestimation of environmental damage and myopia of consumers and investors. Proposals for economic policy measures that may be implemented significant impact on the distribution of income and wealth in the economy must include a careful assessment of the benefits and losses.

This is the process of choosing economic measures policies will identify those measures that

at will contribute to the most effective use of taxpayer funds. Undoubtedly, energy efficiency increases are parallel to improving the competitive environment, which in turn leads to income and welfare growth in the economy. This paper identifies barriers to improving energy efficiency in Ukraine, which serves as a basis for production successive economic policy measures.

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