

In Ukraine, anger over fuel poverty is bringing people out into the streets

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Some citizens have faced a threefold hike in energy costs since New Year - leading to fears many could lose their homes

Early this year, a wave of ‘tariff protests’ swept Ukraine’s rural settlements, towns and small cities. The protests, organised largely spontaneously, were often accompanied by road closures, and were actively fueled by opposition TV channels.

The Ukrainian government has since backtracked and headed off the protest campaign by returning state regulation of energy prices in the country’s municipal utilities sector. But it has paid a political price for this move, and perhaps postponed a further public reckoning over utilities prices.

In mid-February, an International Monetary Fund mission left Kyiv without approving the renewal of the stand-by loan programme for Ukraine. According to the IMF, one of the stumbling blocks was the government’s inconsistent introduction of market tariffs for utilities.

State regulation of gas prices and a government-mandated delay on increasing electricity prices are only in force until April. While the Ukrainian government is trying to reopen negotiations with the IMF, the country’s trade unions are now talking about fuel poverty – which citizens are yet to face on the [current scale](#) – for the first time.

Shocking payments

In early January, Ukrainian citizens received their first utilities bills for the winter – receipts for payments for heating, water and gas supply, sewage, electricity, house maintenance and garbage collection.

Many people were shocked by the amounts they had to pay for heating in December. The rise in gas tariffs hit residents of rural areas – where natural gas is used for heating – particularly hard. Compared to the summer, the cost of gas in the winter across the country went up threefold, reaching almost 300 euro per 1,000 cubic metres of gas. At the same time, the [average income of Ukrainian households](#) is 120 euro per person (according to official data for the first nine months of 2020).

The protests that ensued exposed the reality of fuel poverty in Ukraine, particularly in its rural areas. But the state is already aware of the problem. In 2019, the State Statistics Service of Ukraine [noted](#) the threat of a significant increase in fuel poverty – the ability of citizens to pay for energy use. According to the Statistics Service, in 2019, about 30% of rural residents and 17% of urban residents indicated that they did not have enough funds to heat their homes. More than 18% reported that they did not have the funds to pay for all utilities.

“In villages and settlements, a significant part of the population lives in residences that

are almost not heated and unlit during winter”

In 2020, Ukraine’s fuel poverty situation worsened due to the pandemic. For example, in January, Ukrainian trade unions [appealed](#) to the government over how the pandemic was hurting working people and pensioners. Unemployment, according to the unions, has risen from 8.2% to 9.5%, and of the 11 million pensioners in Ukraine, almost 70% of them now receive a pension below the real cost of living.

“Market reforms were carried out in a hurry and without accounting for incomes of the population,” a January 2021 [resolution](#) by the Federation of Trade Unions of Ukraine stated. “There has been an increase in the number of people experiencing fuel poverty, who have lost the opportunity to enjoy [...] high-quality and comfortable living. In particular, in villages and settlements, a significant part of the population lives in residences that are almost not heated and unlit during winter.”

According to the State Statistics Service, Ukrainian families with the lowest incomes have to spend 60-67% of their income on food, while up to 15% of their income pays for various services, including utilities. After paying for other inevitable expenses, these families have practically no funds for medicine, culture or education.

Blocking roads

As soon as energy prices rose in early January, people began to protest. On 4 January, residents of Lubny, Poltava region, blocked the Kyiv-Kharkiv highway. The same highway was blocked again, in Lyubotin, and residents in Vysoky, a village in Kharkiv region, blocked another major highway.

Protest actions were held in 13 districts of the Kharkiv region, many of them were accompanied by complete or partial blocking of roads. Protesters demanded that the government immediately lower the gas price.

Residents in Ukraine’s cities then joined the protests, with anti-tariff actions held in Kharkiv, Mykolaiv, Dnipro, Enerhodar, Nikopol and elsewhere. Indeed, in addition to increasing the cost of gas, from January, the government canceled preferential tariffs for people who use electric heating. This measure mostly affected residents who live near nuclear power plants, where electricity subsidies are the highest. These cities include Nikopol and Enerhodar, where central heating has long been replaced by individually installed electric heating.

Representatives of the Free Trade Union of Entrepreneurs of Ukraine took an active part in these protests in Zaporizhzhya, Odesa and Kyiv: their income has fallen in connection with the pandemic and lockdown measures, while utility costs have increased, they say.

“Entrepreneurs go to the Czech Republic or Poland, register there and establish their business. Then they import their products to Ukraine, because it is cheaper to produce there than at home. We are killing our production, we are killing jobs,” said Valentyna Korobka, head of the union. “People are leaving the country and do not want to return.”

According to Ukraine’s trade unions, the government’s tariff policy in the energy and municipal sectors “does not balance the interests of the state, consumers and business”.

Through a joint trade union body, trade unions have demanded that the government return the regulation of gas and electricity prices, restore benefits for electricity for those who live near nuclear power plants. Trade unions are also demanding the repeal of a government decree that raises the ceiling on welfare subsidies for heating (from utilities costing 15% to 20% of total individual household income).

The Ukrainian government insists that subsidies – partial compensation by the state for the cost of utilities for the poor – reliably protect the latter from the rise in prices for utilities services. However, neither trade union representatives, nor citizens agree.

“If people do receive subsidies, they are still not enough for a normal life and for paying all the costs of utilities,” explained Tetiana Boiko, an expert with the OPORA civil network.

“Although the government’s subsidy policy is quite loyal, it is difficult to find a good job in small towns and villages because the unemployment rate is so high. In addition, due to the coronavirus, many citizens have reduced incomes,” Boiko said.

Freezing reforms

With the proliferation of local protests at the start of the year, more and more local authorities began contacting the government and parliament with demands to revise Ukraine’s tariff policy.

By early February, opinion poll ratings [showed](#) a significant drop in the popularity of the ruling Servant of the People party and personally president Volodymyr Zelenskyy. After all, citizens have not forgotten how Zelenskyy [promised](#) to halve people’s heating bills in 2019. Many opposition politicians began to talk about early parliamentary elections and called for the government to resign. Opinion polls [suggest](#) that two thirds of Ukrainians want parliamentary re-elections.

This situation was aggravated by the fact that just as the tariff crisis hit, prime minister Denys Shmyhal’s government was negotiating with an IMF delegation over resuming lending to support the state during the global pandemic. One of the conditions for granting loans was the continuation of market reforms in the energy sector, including free pricing for gas, electricity and other utilities.

It seems that both Zelenskyy and his government found themselves in a stalemate. As a result, to reduce the momentum of the protest wave, the government decided to reduce the gas price by 30% until April and postpone the increase in electricity tariffs. The Cabinet of Ministers of Ukraine established a fixed price for gas until the end of the heating season - 6.99 hryvnia per cubic metre (approximately 200 euros per 1000 cubic meters). On average, the consumption of one household, where gas is also used for heating, is up to [1,400 cubic metres](#) – and most of this falls in the winter months.

Failed forum

To explain its next steps in Ukraine’s utilities market, the government initiated a discussion on tariffs for energy providers – the four-day Ukraine.30 forum in Kyiv, which was meant to provide a broad discussion of utility tariffs and a compromise over implementing further reforms.

“This forum did not become a platform for discussion,” said Boiko. “Many experts were not invited to this forum. The event itself was more like a PR event for the government.”

Representatives of trade unions were not involved, either. “We were not even invited there,” said Korobka. “We wanted to address the forum, but we were refused.”

The forum did not receive wide coverage in Ukraine’s national media. “The format was too formal, it wasn’t interesting for a broad audience,” explained Andriy Yanitskyi, head of the Center for Economic Journalism at the Kyiv School of Economics. “The discussion was thorough, but people do not take to this kind of discussion. They should have released a social campaign, and worked on forming society’s behaviour.”

Yanitskyi believes that the tariff crisis was too politicised. This was facilitated by Ukraine's oligarchs themselves, who own the largest television channel, he said, noting that they are also major players in the energy market, as well as sponsors of key political parties.

Waiting for new protests

Although the Ukrainian government has managed to curb the wave of protests, and even stop a further drop in ratings, the tariff crisis looks far from over.

Recent opinion polls [suggested](#) that 86% of respondents consider the January increases in energy prices to be unjustified, and 76.4% of respondents do not support the government's commitments to the IMF to introduce market prices for gas and electricity. Another opinion poll suggested that up to 74% of Ukrainians would like to [vote in a referendum to reduce utility tariffs](#) (by far the largest support for any referendum topic).

According to Mikhail Volynets, MP and head of the Confederation of Free Trade Unions of Ukraine, Ukrainian MPs are trying to collect the necessary number of signatures to hold special parliamentary hearings on utility prices. Parliamentary speaker Dmytro Razumkov recently confirmed that parliament may convene for an extraordinary session on these issues.

"We are waiting for the frost to end, then we will go out to protest again"

The government's position in parliament looks vague, despite the fact that it relies on the formal majority of the ruling party. Against the background of protests, the government has failed to confirm the appointment of Yury Vitrenko, the acting minister of energy. Even the pro-government majority in parliament did not have enough votes to support Vitrenko's candidacy.

Trade unions are now preparing for a fresh round of protests towards the end of March. "We are waiting for the frost to end, then we will go out to protest again," warned Korobka. "We plan to unite with other organisations and come out to the government with our demands. The main thing now is to bring out people who are incredibly disillusioned with politicians."

In turn, the government plans to return to free pricing on the gas and electricity markets as early as 1 April. They hope that with the end of Ukraine's winter heating season, consumers will not feel a rise in energy prices so keenly.

"Wholesale gas prices start coming down only in May. Nobody knows what the prices will be, and suppliers will have to include all their risks into the retail price," explained Boiko. "It would be better to introduce annual prices for retail consumers in September or October. That's when suppliers will be able to purchase gas at summer prices and form their own pricing policy for the heating season."

In addition, the Ukrainian government also needs to decide the fate of people who are currently in debt over utilities payments, which by the beginning of winter amounted to 73bn hryvnia (£1.8bn), and have obviously increased even more since. Of these, around [30bn hryvnia \(£770m\) are debts for gas](#), another 20bn hryvnia (£516m) are debts for heating and hot water supply, and six billion hryvnia (£155m) in electricity payments.

As a rule, it's mostly Ukraine's low-income families who do not have the means to pay for utilities. The only assets they still retain are a house or an apartment.

Last year, Ukraine's parliament [passed a law](#) that prohibits utility providers from charging fines and penalties, shutting off utilities or taking a person's house or apartment in lieu of payment during

lockdown.

But once Ukraine's quarantine restrictions are lifted, utility providers will be able to collect debts by seizing debtors' bank accounts or real estate. Ukrainian legislation permits the removal of an apartment or house if an individual's debt exceeds 20 minimum wages (120,000 hryvnia). Several local authorities have already announced tenders for collection firms that will deal with debt collection.

Under Ukraine's old energy tariffs, these kinds of sanctions did not affect the majority of citizens, but now many people are threatened with the prospect of losing their home. If debtors are thrown on to the street en masse, this will lead to new, even broader protests.

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