

United States Senate

WASHINGTON, DC 20510

June 27, 2014

The President
The White House
1600 Pennsylvania Avenue NW
Washington, DC 20500

Dear Mr. President:

Ukraine's successful presidential election on May 25 demonstrated the resolve and fortitude of the Ukrainian people, and offered reason to be hopeful that a strong, stable, and democratic Ukraine will emerge from Russia's assault on its sovereignty. We commend Vice President Biden for attending President Poroshenko's inauguration in Kiev on June 7, and we welcome his announcement of additional U.S. assistance to Ukraine.

As President Poroshenko takes office, we must work closely with Ukraine to confront the urgent challenges posed by separatist violence and economic instability, while also addressing Ukraine's dangerous reliance on Russian energy supplies. Ukrainian and Russian officials have been in gridlocked negotiations over trade in natural gas since March, when Russian state-controlled oil giant Gazprom raised the price of natural gas to Ukraine by 80 percent and threatened to cut off supplies. Last week, Gazprom followed through on those threats and cut off natural gas supplies to Ukraine, heightening energy security concerns in Ukraine and across Europe. Nothing could transform Ukraine's strategic position in the region more fundamentally than major advancements in energy independence. Toward that end, we urge you to make energy efficiency measures, and the development of Ukraine's domestic energy resources, centerpieces of your early engagements with the new leadership.

Ukraine is the second-least energy efficient country in the world. According to the International Energy Agency, if Ukraine were only as energy efficient as the average country in Europe, Ukraine could reduce natural gas consumption by more than 50 percent, essentially eliminating its dependence on natural gas imports from Russia. Ukrainians are asking for this type of support. In April, a coalition of 35 Ukrainian mayors sent a letter urgently requesting assistance in increasing the energy efficiency of their buildings, district heating systems, and transportation networks in order to reduce dependence on imports of natural gas from Russia.

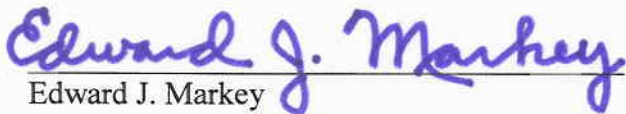
At the same time, Ukraine has massive untapped natural gas deposits of its own – their shale gas resources are the third-largest in Europe – and domestic production has the potential to double over the next decade.

The \$17 billion loan package approved by the International Monetary Fund to help stabilize the economy of Ukraine requires reforms of energy markets in Ukraine and elimination

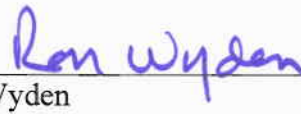
of energy subsidies, which currently make up eight percent of the country's gross domestic product. Eliminating these subsidies will raise retail natural gas rates by 56 percent in 2014, 40 percent in 2015, and 20 percent in 2016 and 2017. While these reforms are critical to rooting out corruption and increasing market transparency, they have the potential to undermine support for the new government if not coupled with aggressive measures to help Ukrainian households cope with these higher energy costs. A focused effort on improving energy efficiency has the potential to provide broad-based economic benefits that might not be provided otherwise without a substantial expansion of the country's social safety net.

We should leverage the full resources and expertise of the U.S. government to assist Ukraine in improving its energy efficiency, increasing its domestic production, and reforming its energy markets. The United States is well-positioned to lead an international coalition to help Ukraine accelerate its progress on this agenda. The State Department, USAID, the Overseas Private Investment Corporation, the Export-Import Bank, and the U.S. Trade and Development Agency all have relevant technical expertise and financing tools that can be brought to bear on the problem. We look forward to working with your Administration to ensure we are using every tool at our disposal to address this important challenge.

Sincerely,



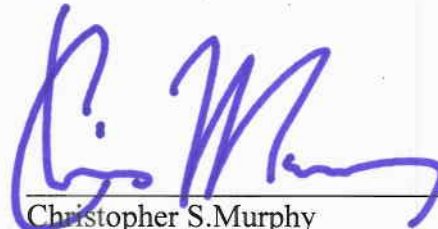
Edward J. Markey
United States Senator



Ron Wyden
United States Senator



Jeanne Shaheen
United States Senator



Christopher S. Murphy
United States Senator