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Energy Gambit: Can the United States Invest in the Ukrainian Energy Sector?



US efforts to invest in Ukraine's nuclear industry have sparked controversy, raising questions about its feasibility, likelihood, risks, and potential impact on Ukraine's fragile sovereignty.

This is not the first time that the US has taken an interest in Ukraine's energy sector as a promising area for investment. In 2001, for example, the US-based AES Corporation **acquired** two regional electricity distributors, Kyivoblenergo and Rivneoblenergo, for \$70 million as part of privatisation.

However, by 2013, it emerged that AES had agreed—subject to regulatory approval—to sell both entities to VS Energy for a combined \$113 million. VS Energy, which already controlled several of Ukraine's 27 regional distributors, was linked to Russian businessmen, including Alexander Babakov, a former deputy speaker of the Russian State Duma and then a special envoy of the Russian president for expatriate organisations.

This transaction unfolded under pressure from Ukraine's then pro-Russian and corrupt government.

Since then, Ukraine has undergone the Revolution of Dignity to oust the Yanukovich regime, embarking on a challenging path of reforms, including in its energy sector.

Oligarchic monopolies

Today, experts agree that Ukraine possesses the engineering ability to emerge as a formidable player in Eastern Europe. However, it continues to learn the intricacies of corporate governance and the art of attracting and managing Western investment.

In the meantime, Western investors have thrived in EU-aligned Eastern Europe. In 2002, Slovakia **sold** a 49% stake in SPP to Ruhrgas and Gaz de France for €2.7 billion, relinquishing management control despite the state retaining a 51% share.

The botched 1990s privatisations have created oligarchic monopolies, sabotaging Western engagement

Romania's gradual privatisation in the early 2000s attracted steady foreign capital, while the Czech Republic's partial divestitures attracted E.ON and PKN Orlen, though ČEZ remains under state stewardship.

Ukraine's trajectory stands in stark contrast. The botched 1990s privatisations have **created** oligarchic monopolies, sabotaging Western engagement. Its bloated, corrupt, and inefficient public sector continues to deter investment. Yet, faint murmurs of potential endure, hinting at untapped possibilities.

Strategic American investments

Last year, American lobbyists revealed that the United States was keen on revitalising a private Ukrainian energy company devastated by Russian aggression through an acquisition rather than a mere investment.

Rumours emerged that the deal might entail a partial sale of the company. Nor is this the only private entity coveting American capital.

Oleksandr Kharchenko, director of the Centre for Energy Studies, claims that “strategic American investments—bringing not just funds but also expertise in investment processes and corporate governance—are vital. If we are serious about restoring the energy sector, rather than merely paying lip service to its recovery, such investors are indispensable.”

He places particular emphasis on US venture capital funds, which are attracted not only by business prospects but also by a deep-rooted admiration for Ukraine as a champion of freedom and democracy.

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Kharchenko estimates that revitalising Ukraine's energy sector will require \$3.5 to \$4 billion—a sum beyond the reach of domestic investors.

The negotiations have now shifted to state-owned enterprises (SOEs). The **discussions** were sparked by a phone call between Donald Trump and Volodymyr Zelenskyy, during which the two leaders explored US assistance in securing at least partial control over the Russian-occupied Zaporizhzhia Nuclear Power Plant (ZNPP), Europe's largest nuclear facility.

In response, the Ukrainians began preparations for the possible resumption of electricity production from several reactors, although sources indicate that these efforts are limited to preliminary talks.

All nuclear reactors remain state-owned

The dialogue on the ZNPP has since expanded, with American interest **extending** to oversight of Ukraine's entire nuclear energy sector. However, the political resolve for such a move remains elusive. President Zelenskyy **underscored** that "all nuclear energy belongs to the Ukrainian people."

He elaborated, "If the Americans want to take the Zaporizhzhia NPP from Russians, invest in it, and modernise it—that's another conversation, and the question remains open. But ownership was not discussed."

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Any American involvement in the ownership of Ukraine's dilapidated energy infrastructure hinges, above all, on political resolve. The situation with the nuclear power plants, however, is far more intricate.

Since 2022, Ukraine's power grid has been integrated into the Continental European Network, a process backed by substantial European investment in the war-ravaged energy sector.

These European stakeholders expect to play a role in its business operations and see US entry as a potential obstacle. Moreover, any "acquisition" process could take several years, depending on EU and IAEA oversight, privatisation protocols, and amendments to Ukrainian legislation to permit foreign ownership.

American investment could attract additional capital

Maksym Nemchynov, a former Deputy Minister of Energy of Ukraine, believes a path to gaining American participation is feasible but cautions that reclaiming the Zaporizhzhia Nuclear Power Plant (ZNPP) will be protracted. "The timeline hinges on the ownership model," he explains.

"Reinstating the nuclear power plant—navigating protocols, procedures, and transitioning it from the cold shutdown mode imposed by the war [which perhaps would require the restoration of the Kakhovka HPP dam – author]—could take up to two years."

A robust project could elevate Ukraine into a formidable contender, side lining Rosatom and securing a dominant role in the region - Oleksandr Kharchenko

The former official believes that American investment could increase transparency in Ukraine's energy sector, attract additional capital, and strengthen the economy as a whole, though it might also jeopardise the country's already fragile sovereignty.

Oleksandr Kharchenko is steadfast in his belief: "A robust project could elevate Ukraine into a formidable contender, side lining Rosatom and securing a dominant role in the region."

Gas transportation system could see rapid progress

More feasible, however, is the prospect of transferring Ukraine's gas transportation system (GTS) to American management.

Since the start of 2025, Ukraine has, for the first time in its history, **ceased** transporting Russian gas through this network. Sources indicate that efforts in this direction are progressing rapidly. Indeed, this issue has become a central element of the current negotiations as Russia seeks to restore gas supplies to the EU.



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potentially leading to shifts in the political dynamic between Kyiv and Moscow

The Ukrainian GTS boasts a capacity **exceeding** that of both Nord Stream pipelines, if renewed.

Should Ukraine's parliament authorise the privatisation or concession of energy infrastructure to foreign entities, opportunities may arise to attract international partners for the logistics of ammonia and oil transit through Ukraine.

Thus far, it seems that the oligarchic monopolies forged during Ukraine's opaque privatisation era were vigorous and swift in their pursuit of American private investment.

In contrast, Ukraine's state-owned energy sector remains tentative, uncertain of the political landscape and its capacity to consume American investment. The exception is the gas transportation system, which could see rapid progress, potentially leading to shifts in the political dynamic between Kyiv and Moscow.