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Investing Into the Future: Institutional Credibility, Bankability,
and Investor Decision-Making in Ukraine's Energy Sector

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AI Usage Disclosure

In the preparation of this thesis, AI-supported applications were used as auxiliary tools. Claude (Anthropic) was employed for editorial tasks, including reviewing draft chapters for clarity and structure, as well as supporting language-consistency checks. In addition, Whisper.ai was utilized for automated transcriptions of audio-recorded interviews, which were, nevertheless, subsequently corrected and verified manually against the original recordings. All AI-generated suggestions were critically reviewed and modified by the author; the selection, analysis, and interpretation of data, the theoretical argument, and the final text were developed independently. Their use was in accordance with the applicable AI guidelines of the University of Vienna and with due regard for academic independence. The author bears sole responsibility for all content, translation, and conclusions of this thesis.

Abstract

Why do some investors continue financing energy projects in Ukraine notwithstanding the active war, while others remain on the sidelines? This thesis examines how institutional and financial-accounting conditions shape project-level investment decisions in Ukraine's energy sector during wartime. Drawing on sixteen semi-structured expert interviews with representatives of Ukrainian energy companies, international financial institutions, and foreign investors, and applying the Gioia methodology, this study explores how investors evaluate opportunities when conventional assumptions about risk no longer fully explain investment behavior.

The findings show that investment decisions depend not only on war-related risks, but also on institutional credibility, financial accounting readiness, and accumulated investor experience. Most unexpectedly, international financial institutions emerge as a double-edged force: while their requirements increase project complexity, they also strengthen market and project credibility and help attract private capital. By integrating institutional, financial-accounting, and project-level perspectives, this study extends institutional theory by explaining how investors adapt decision making under conditions of heightened uncertainty. It also provides practical guidance for foreign investors and offers policy-relevant insights for reconstruction planners, as well as international financial institutions who are formulating and deploying de-risking instruments for Ukraine's energy sector.

Keywords: *investor decision-making; institutional theory; energy infrastructure; high-risk environment; Ukraine; blended finance; IFRS disclosure; de-risking mechanisms; private capital mobilization.*

Kurzfassung

Warum finanzieren einige Investoren trotz des andauernden Krieges weiterhin Energieprojekte in der Ukraine, während andere abwarten? Diese Masterarbeit untersucht, wie institutionelle sowie finanz- und rechnungslegungsbezogene Rahmenbedingungen Investitionsentscheidungen auf Projektebene im ukrainischen Energiesektor unter Kriegsbedingungen beeinflussen. Auf Grundlage von sechzehn halbstrukturierten Experteninterviews mit Vertretern ukrainischer Energieunternehmen, internationaler Finanzinstitutionen und ausländischer Investoren sowie unter Anwendung der Gioia-Methodologie analysiert die Studie, wie Investoren Investitionsmöglichkeiten bewerten, wenn herkömmliche Annahmen über Risiko das Investitionsverhalten nicht mehr vollständig erklären.

Die Ergebnisse zeigen, dass Investitionsentscheidungen nicht nur von kriegsbedingten Risiken, sondern auch von institutioneller Glaubwürdigkeit, der finanz- und rechnungslegungsbezogenen Vorbereitung von Projekten sowie der gesammelten Erfahrung der Investoren abhängen. Besonders überraschend ist, dass internationale Finanzinstitutionen eine doppelte Rolle einnehmen: Zwar erhöhen ihre Anforderungen die Komplexität von Projekten, gleichzeitig stärken sie jedoch deren Glaubwürdigkeit sowie das Vertrauen in den Markt und erleichtern dadurch die Mobilisierung privaten Kapitals. Durch die Verknüpfung institutioneller, finanz- und rechnungslegungsbezogener sowie projektbezogener Perspektiven erweitert diese Studie die Institutionentheorie, indem sie aufzeigt, wie Investoren ihre Entscheidungsprozesse unter Bedingungen erhöhter Unsicherheit anpassen. Darüber hinaus liefert sie praxisorientierte Handlungs-empfehlungen für ausländische Investoren sowie politikrelevante Erkenntnisse für Akteure des Wiederaufbaus und internationale Finanzinstitutionen, die Instrumente zur Risikominderung für den ukrainischen Energiesektor entwickeln und einsetzen.

Schlüsselbegriffe: *Investitionsentscheidungen; Institutionentheorie; Energieinfrastruktur; Hochrisikoumfeld; Ukraine; Blended Finance; IFRS-Berichterstattung; Risikominderungsmechanismen; Mobilisierung privaten Kapitals.*

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List of Abbreviations

Abbreviation	Full Term
BBB	Build Back Better
BESS	Battery Energy Storage System
CBAM	Carbon Border Adjustment Mechanism
CfD	Contract for Difference
CSRD	Corporate Sustainability Reporting Directive
DCFTA	Deep and Comprehensive Free Trade Area
DSCR	Debt Service Coverage Ratio
EBRD	European Bank for Reconstruction and Development
ECA	Export Credit Agency
EIB	European Investment Bank
ENTSO-E	European Network of Transmission System Operators for Electricity
ESG	Environmental, Social and Governance
EU	European Union
FDI	Foreign Direct Investment
FiT	Feed-in Tariff
GDP	Gross Domestic Product
IEA	International Energy Agency
IFC	International Finance Corporation
IFI	International Financial Institution
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IRR	Internal Rate of Return
NEURC	National Energy and Utilities Regulatory Commission
OECD	Organization for Economic Co-operation and Development

Abbreviation	Full Term
PPA	Power Purchase Agreement
RAB	Regulatory Asset Base
RDNA5	Rapid Damage and Needs Assessment (5th edition)
SDG	Sustainable Development Goal
SPV	Special Purpose Vehicle
URMM	Ukrainian Risk Mitigation Mechanism

1 – Introduction

Investing in Ukraine's energy sector has become one of the defining challenges of the country's reconstruction, with institutional credibility, project bankability, and investor confidence increasingly determining which projects attract private capital and which do not. Russia's full-scale invasion turned energy infrastructure into a primary target of continuous attacks, damaging power plants, district heating facilities, and transmission networks and compounding an already elevated risk environment of sovereign strain and volatile energy prices (World Bank Group et al., 2026; Zaniewicz & Moiseienko, 2025; IMF, 2024). Recent research on conflict-affected environments confirms that investment decisions there depend as much on institutional stability and governance quality as on macroeconomic conditions (Nowinska & Olesen, 2025; Jarret, Jude & Chinn, 2023). Ukraine's energy reconstruction should therefore be understood not only as rebuilding physical infrastructure, but as a process of institutional transformation, in which investors develop formal and informal mechanisms where conventional governance structures fall short.

The importance of these institutional mechanisms becomes evident when considering the scale of Ukraine's reconstruction challenge. The energy sector has incurred an estimated USD 24.8 billion in direct physical damage as of December 2025, 12.7 percent of total war-related infrastructure damage across all sectors, with reconstruction needs projected at nearly USD 91 billion through 2035 within an overall national reconstruction cost of USD 587.7 billion (World Bank Group et al., 2026). Given this scale, official development assistance alone cannot close the gap: mobilizing private capital has become essential (IFC, 2023), yet private investment remains well below what is required. This thesis therefore examines how institutional and financial-accounting conditions shape project-level investment decisions in Ukraine's energy sector.

Existing research on Ukraine's reconstruction has expanded considerably since 2022, but it has largely stayed at the macro level: policy frameworks, reconstruction needs, and program-based financing instruments, rather than how individual investors actually evaluate individual projects (Delios & Henisz, 2003; Nowinska & Olesen, 2025). Three gaps in particular motivate this study. First, financial-accounting disclosure is still treated as background context rather than something investors actively

evaluate, substitute for, or contractually demand (Leuz & Wysocki, 2016). Second, the different investor types active in Ukraine's energy sector, from local developers to IFIs to foreign commercial capital, are rarely compared directly, despite facing the same institutional environment with very different mandates and risk tolerances (Cuervo-Cazurra et al., 2019). Third, no study has examined how institutional conditions, disclosure quality, and investor type interact at the project level, rather than in isolation. Ukraine's energy sector therefore offers more than a reconstruction challenge: it is a setting where institutional conditions, financial information, and wartime uncertainty reshape conventional investment logic, extending the study's relevance beyond Ukraine to investment decision-making under heightened institutional uncertainty more broadly.

Closing that gap requires moving from macro-level reconstruction debates to the level at which investment decisions are in fact made – the individual project. The central research question guiding this study is: *How do institutional and financial-accounting factors shape investors' decision-making for energy projects in Ukraine under high-risk conditions?*

Answering it requires breaking the question down further. Indicative sub-questions guiding the empirical research include: How do different investor-stakeholder types assess and compare key risks in Ukrainian energy projects? How do institutional factors such as regulatory stability, governance quality, and counterparty credibility influence investor risk perception and project selection? Which financial, accounting, and contractual conditions are considered essential prerequisites for investment? What changes in project design and risk allocation could increase investment readiness?

The questions are addressed through the following research objectives:

- RO-1** Analysis of different types of stakeholders acting as investors, including local energy companies, international financial institutions, commercial investors, and the ways they assess and compare risks within Ukraine's current institutional and regulatory environment when evaluating energy projects.

- RO-2** Analysis of accounting and financial conditions as well as project features, including expected returns, guarantees, contract design, co-financing structures, project valuations under constrained accounting disclosure that shape investment decisions through participants' views.
- RO-3** Understanding whether certain energy segments (renewables, conventional generation, grid and transmission, or district heating) are perceived as more investable or resilient than others, including differences in regulatory exposure and institutional support, and why.
- RO-4** Development of practice-oriented recommendations, including a concise investment guide for foreign companies interested in Ukrainian energy projects.

Answering these objectives requires a theoretical foundation capable of explaining behavior where formal institutions themselves are under considerable pressure. Building on institutional theory as developed by North (1990) and extended through three decades of international business scholarship (Peng et al., 2023), this research examines how formal rules and informal norms jointly shape investor behavior in a context where the gap between the two is particularly wide. Institutional theory predicts that when formal governance institutions are unreliable, private actors develop substitute mechanisms: relational contracting, reputation networks, international arbitration, and IFI co-investment that enable exchange despite institutional weakness (Dixit, 2009). The thesis investigates whether and how these predictions hold under the extreme conditions of active armed conflict, and what new mechanisms emerge where existing theoretical frameworks do not anticipate them.

The financial-accounting dimension adds a distinct analytical layer to this institutional picture. Higher-quality accounting disclosure reduces a firm's cost of capital by lowering investor uncertainty about the reliability of reported cash flow information (Lambert, Leuz & Verrecchia, 2007). However, the capital-market benefits of formal standards adoption are conditional on enforcement quality rather than on formal compliance alone (Daske et al., 2008, 2013). In Ukraine's context, where IFRS adoption is formally common among larger energy companies, but effective enforcement remains uncertain, the gap between accounting standards on paper and

their credible application in practice constitutes a distinct investment barrier that the thesis examines at the project level.

Testing these dimensions empirically calls for direct access to the people making these decisions. Given the limited project-level evidence available and the exploratory nature of the research question, the study adopts a qualitative, exploratory research design based on sixteen semi-structured expert interviews conducted between April and June 2026. Respondents represent three investor categories: Ukrainian energy companies with direct project exposure (Type A), international financial institutions and advisory firms with de-risking expertise and institutional mandates (Type B), and foreign stakeholders representing market-rate private capital (Type C). Interviews cover all four major energy subsegments, including renewables, conventional generation, grid and transmission, and district heating, that are analytically central to the study's comparative objectives. Data are analyzed using the Gioia methodology, which combines systematic first-order coding in informants' own language with progressive second- and third-order abstraction toward theoretical claims.

This design is what allows this thesis to make both academic and practical contributions. Academically, it extends institutional theory, conflict economics, and energy finance research to an active conflict setting which reflects an extreme case that prior work explicitly identifies as empirically unexplored. It provides the first systematic project-level evidence on how investors integrate institutional conditions, de-risking instruments, and disclosure quality when assessing the financeability of Ukrainian energy projects during wartime. Practically, it develops a concise investment guide for foreign companies interested in Ukrainian energy projects (Appendix B) and generates policy-relevant findings on IFI instrument design, reconstruction process, and the conditions under which private capital mobilization at scale becomes feasible.

The findings that follow both confirm and challenge this theoretical starting point. Several findings confirm the predictions of institutional theory. Investors rely on informal governance mechanisms, such as trusted relationships, informal networks, and co-investment with international financial institutions, to compensate for weaknesses in formal institutions (Dixit, 2009; Peng et al., 2023).

Three findings, however, extend the existing framework. First, corruption rarely emerged as a direct barrier to investment. Instead, differences in risk perception

reflected investors' accumulated experience rather than differences in available information. Second, international financial institutions play a dual role. Their compliance requirements increase project complexity, but they also strengthen credibility and investor confidence. Finally, the institutional substitution mechanisms identified in this study appear to have practical limits. They work well for a relatively small number of closely monitored projects but become more difficult to sustain as reconstruction expands beyond what personal networks and project-specific due diligence can support.

The remainder of the thesis is organized as follows. Chapter 2 reviews the four streams of literature that inform the study this includes institutional theory, investment in conflict-affected environments, energy finance and de-risking mechanisms, and financial-accounting factors and disclosure quality and identifies the research gap. Chapter 3 provides contextual background on Ukraine's energy sector, covering the pre-war baseline, war damage and operational disruptions, the regulatory and institutional environment, energy segment profiles, and the European market and reconstruction opportunity context. Chapter 4 sets out the methodological architecture of the study. Chapter 5 presents the structured data analysis across three aggregate dimensions. Chapter 6 discusses these results in relation to the theoretical framework and develops the study's most critical and unexpected findings. Chapter 7 develops three theoretical contributions, practical and policy implications, study limitations, and directions for future research.

2 – Theoretical Framework

This chapter reviews the academic and policy literature that informs the thesis's central research question: how do institutional and financial-accounting factors shape investors' decision-making for energy projects in Ukraine under high-risk conditions? The review is organized into four thematic areas that correspond to the study's four research objectives. Section 2.1 introduces the institutional theory perspective and the role of institutional conditions in shaping investment decisions, providing the analytical foundation for Research Objective 1. Section 2.2 reviews empirical literature on investor behavior in conflict-affected and high-risk environments, informing both Research Objective 1 and Research Objective 3. Section 2.3 examines financial and de-risking mechanisms relevant to private capital mobilization for energy infrastructure, addressing Research Objective 2 and Research Objective 4. Section 2.4 explores the financial-accounting perspective, focusing on transparency, disclosure, and investor-relevant financial information, completing the analytical basis for Research Objective 2. Section 2.5 synthesizes these streams and identifies the research gap addressed by this study.

The review draws on sources, including foundational theoretical works, peer-reviewed journal articles, systematic reviews, and authoritative policy reports. Together, these provide a solid understanding of knowledge at the macro level: how conflict influences investment decisions, how institutional quality shapes capital allocation, and how blended finance structures or de-risking mechanisms can bridge the gap between public and private capital in emerging or high-risk markets.

However, what the existing literature does not sufficiently provide, is project-level, investor-perspective empirical evidence on the specific institutional and financial-accounting conditions that determine whether an individual energy project in an active conflict environment is considered financeable. That is the gap the present study aims to address.

2.1 Institutional Theory: Formal Rules, Informal Norms, and Investment

The main theoretical framework for this study is institutional theory as developed by North (1990), who defined the foundational distinction between formal rules and informal norms and subsequently developed into a strategy-facing analytical

framework over three decades of international business scholarship (Peng *et al.*, 2023). Two core propositions structure the framework: that formal and informal institutions shape the rules of the game for firms, and that firms respond strategically to institutional constraints and opportunities rather than simply accepting them as given. North distinguishes between formal rules (laws, regulations, contracts) and informal norms (behavioral conventions and reputation), arguing that their interaction shapes economic exchange. Most importantly, North introduces the concept of path dependence to explain why institutional change is slow and why societies with weak institutions tend to remain in low-performance equilibria even when formal rules are reformed on paper. This distinction between formal compliance and effective enforcement is particularly applicable to the Ukrainian context, where IFRS adoption and energy sector regulations exist formally, yet their effective implementation and credibility remain uncertain. Peng's (2023) recent review of this theoretical tradition adds a further observation directly relevant to the thesis: informal institutions have received substantially less empirical attention than formal ones, leaving their barriers to investment mobilization, particularly in reform-transition contexts to be insufficiently understood.

Dixit (2009) extends this framework to show that when formal governance institutions are unreliable, private actors develop substitutes as for example relational contracting, reputation networks, international arbitration – to enable exchange despite institutional weakness. This explains why investors in Ukraine's energy sector do not simply withdraw but instead restructure their exposure through IFI participation, contractual de-risking, and protective project structures. Bu, Luo, and Zhang (2022) add empirical precision by disaggregating informal institutions: corruption specifically deters long-term foreign investment commitment, independently of formal regulatory quality. Boddewyn and Peng (2021) further distinguish informal institutions that substitute for weak formal rules from those who misuse them. In Ukraine, investors depend on informal mechanisms, but they must also protect themselves from the risks these mechanisms can create.

Three streams of recent empirical work refine and partly update the North-Dixit framework. The first stream operationalizes governance variables for quantitative analysis. Sovacool and Evensen (2024), in a 198-country panel, decompose institutional quality into regulatory quality, rule of law, and control of corruption,

demonstrating that these governance indicators explain a significant share of cross-country variation in low-carbon electricity deployment independently of income and resource endowments. This empirical decomposition translates the abstract North/Dixit categories into measurable indicators against which Ukraine's institutional environment can be benchmarked. Rafiq, Shafiullah, Salim, and Sinha (2025) add evidence from OECD economies that strong institutions provide the predictable policy environment (e.g., subsidies, tax incentives, targets) needed to mobilize renewable investment *particularly under crisis conditions*, a finding that has direct implications for Ukraine's wartime context where the absence of such predictability cannot be substituted by any single instrument.

The second stream sharpens the mechanism through which institutional quality acts on investment decisions. Chen and Jiang (2023) show that institutional quality does not operate on FDI in isolation but is mediated by financial development and natural-resource endowment and moderated by tax level, a conditional logic that explains why Type C (commercial) investors will respond to Ukraine's institutional environment differently from Type A (local) and Type B (IFI) actors depending on access to complementary de-risking mechanisms. Saikia (2022), in firm-level evidence from India, demonstrates that institutional quality differentially affects entry mode itself: weaker institutions push foreign firms toward joint ventures and minority equity positions rather than greenfield ownership. This is precisely the prediction Meyer et al. (2009) advance theoretically, and Saikia's empirical confirmation strengthens the thesis's expectation that Austrian and other Western European investors entering Ukraine will favor partnership and minority-equity structures.

The third stream extends the framework with the most recent measurement work on geopolitical risk specifically. Caldara and Iacoviello (2022), in the *American Economic Review*, construct a news-based Geopolitical Risk (GPR) index covering 1900 to the present and demonstrate that higher GPR foreshadows lower firm-level investment and employment, with effects driven by both the threats and the realization of adverse geopolitical events. This is now the key reference for measuring geopolitical risk in quantitative studies and provides the operational construct that underlies interview Section 1 (Q1) of the current thesis. Jarret, Jude, and Chinn (2023), in a large cross-country panel that already incorporates the wartime period, show that political

and institutional uncertainty impacts FDI more sharply than financial-market uncertainty, with the effect amplified in developing economies, empirically updating the predictions of Delios and Henisz (2003) and Dixit (2009) cited above. Cetin and Yaman (2023) add BRICS-specific evidence that institutional quality partially offsets but does not eliminate the negative geopolitical-risk effect on FDI, while Bhujabal, Sethi, and Padhan (2024) confirm that stronger institutional quality is independently associated with higher FDI inflows across South and Southeast Asia. Together, they establish that institutional quality matters for FDI outcomes even where political risk is present, supporting the thesis's argument that Ukraine requires both institutional reform and external risk-mitigation infrastructure for private capital mobilization to occur at scale.

Streeck and Thelen (2005) introduce the concept of institutional layering, where new formal rules are added atop existing arrangements without displacing persistent informal norms. Yi, Meng, Macaulay, and Peng (2019) show that corruption has a strong negative effect on investment during the expansion and long-term commitment stages, when investors can no longer easily withdraw. This is directly relevant to Research Objective 1: Ukrainian energy companies (Type A) have developed institutional knowledge through repeated investment experience, whereas foreign commercial investors (Type C) often lack this knowledge when entering the market. This difference helps explain why investor types differ in their willingness to accept risk.

Regarding entry mode, da Silva, Ogasavara, and Pereira's (2024) systematic review finds that greater institutional distance encourages investors to choose shared ownership and joint venture structures, while Zhang et al.'s (2023) meta-analysis further shows that informal institutional distance, the type relevant to Ukraine's corruption environment, affects investment decisions differently depending on investors' previous experience in similar markets. Giachetti and Peprah (2022) demonstrate that under severe institutional weakness, investors also seek higher contractual control through mechanisms such as put options, step-in rights, and management agreements. Together these findings support the investment structures examined in Research Objective 2, including minority equity participation, IFI co-investment, and partnership with local

actors rather than full greenfield ownership. These expectations are explored through interview questions Q15 and Q16.

Finally, Cuervo-Cazurra, Mudambi, and Pedersen (2019) distinguish between institution-bridging strategies, such as organizational designs and contractual innovations which help investors overcome local institutional constraints, and institution-bound strategies, which adapt to them. IFI co-investment, international arbitration, and revenue ring-fencing are examples of institution-bridging mechanisms. However, they also increase transaction costs through more complex project structures, additional monitoring, and legal requirements. These costs form part of the effective risk premium examined in Research Objective 3.

Together, these sources provide a theoretical foundation for this thesis. North (1990) and Peng (2023) explain the role of institutions, while Dixit (2009), Bu et al. (2022) and Boddewyn and Peng (2021) describe how investors compensate for weak formal institutions through alternative mechanisms. Sovacool and Evensen (2024) and Rafiq et al. (2025) identify indicators of governance quality, and Caldara and Iacoviello (2022) together with Jarret et al. (2023) measure geopolitical and uncertainty risks. Studies by Chen and Jiang (2023), Saikia (2022), Yi et al. (2019), da Silva et al. (2024), Zhang et al. (2023) and Giachetti and Peprah (2022), and Cuervo-Cazurra et al. (2019) inform the expectations regarding entry mode, ownership structure, contractual design, and organizational form. Together, this framework guides the interview design presented in Chapter 4 and provides the basis for the empirical analysis of investor decision-making in Ukraine's wartime energy sector.

Together, these theoretical foundations provide the lens for examining Research Objective 1, which explores how different investor types assess and compare risks within Ukraine's institutional and regulatory environment, in Chapter 5.

2.2 Investment in Conflict-Affected and High-Risk Environments

The empirical literature on investment in conflict-affected environments provides the macro-level context for this thesis's project-level analysis. Recent evidence from African economies shows that civil conflict significantly reduces foreign direct investment (FDI). Xiao et al. (2024) find that violence against civilians has a particularly strong negative effect, especially where conflicts persist and institutions

are weak. Their findings suggest that investors face not only higher measurable risks but also greater uncertainty about future political and security conditions, which cannot be fully addressed through conventional risk-premium adjustments. This distinction is particularly relevant to Ukraine, where the timing and intensity of attacks remain difficult to predict, making investment decisions especially challenging. Jarde (2023) reaches a similar conclusion, using a large cross-country panel, and showing that periods of high global uncertainty encourage investors to shift capital toward safer destinations regardless of project-level fundamentals. Taken together, these studies suggest that wartime environment structurally reduces investment overall. This thesis therefore focuses on the mechanisms that enable investment despite this environment and examines how investors respond at the project level.

Three event-study papers provide additional evidence following Russia's full-scale invasion in February 2022. Bounou and Yatié (2022), published in *Economics Letters*, find significantly negative abnormal stock returns immediately after the invasion, particularly in European markets with high energy exposure. Boubaker, Goodell, Pandey, and Kumari (2022), in *Finance Research Letters*, extend this with cross-sectoral event-study evidence showing different reactions across sectors. While energy and defense sectors recovered quickly, consumer and industrial sectors experienced more persistent declines. These findings support Research Objective 3 segment-level approach by suggesting that wartime conditions change the relative attractiveness of different sectors rather than discouraging all investment equally. Yudaruddin and Lesmana (2024), analyzing 1,511 energy-sector companies across multiple countries, further demonstrate that market reactions vary depending on a national energy mix and geographic exposure. This finding is particularly relevant to the commercial investor (Type C) interviews conducted in this study.

Additional evidence highlights the broader macro-financial environment. Bakkar, Ben Jabeur, Mohammed, and Ben Arfi (2024), in the *Journal of Cleaner Production*, show that conflict affects energy transition pathways differently across European countries depending on their energy mix and institutional quality. Additional evidence highlights the broader macro-financial environment. Fatima, Štreimikienė, Kumar, Radulescu, and Xuhua (2026) provide further evidence from 13 EU countries that geopolitical risk arising from dependence on fossil fuel imports from politically

unstable exporting regions impedes energy transition, an effect that stronger environmental policy stringency can partly offset. Banna, Alam, Chen, and Alam (2023), in *Energy Economics*, quantify how the war and the resulting inflation shock affected both energy security and macroeconomic stability across importing and exporting countries. Together, these studies show that conflict reshapes both the pace of energy transition and the macro-financial environment, establishing context for the interview findings on exchange-rate risk, inflation, and sovereign-risk.

Sambharya (2022), published in the *Journal of International Business Studies* Special Collections on crises and disruptions in international business, argues that political risk should not be viewed separately from economic, technological, environmental, and sociocultural risks because these dimensions interact during periods of crisis. This perspective supports the design of the interview Question 1, which deliberately examines geopolitical, regulatory, counterparty, and macro-financial risk as interconnected rather than independent factors. Mihalache-O'Keef (2021), in the *Journal of International Business Policy*, analyzes foreign direct investment recovery across post-conflict countries between 1970 and 2008. The study finds that transparency, accountability, and high-quality information disclosure support faster investment recovery, whereas foreign aid alone does not. These findings have direct implications for Research Objective 2 by highlighting the importance of disclosure quality for attracting long-term private investment.

Conflict does not, however, affect all investments equally. Binetti (2022), studying post-conflict countries across multiple cases, finds that energy infrastructure follows a distinct investment pattern. Reconstruction is initially driven by governments and international financial institutions, while private investors typically enter at a later stage. The sequence also differs across energy segments. This provides an important foundation for Research Objective 3. Rather than assuming that all Ukrainian energy segments are affected by the wartime environment in the same way, this thesis investigates whether certain segments such as distributed renewables, energy efficiency, and district heating offer more attractive investment opportunities than others, and whether the public-to-private investment sequence identified by Binetti is already emerging in Ukraine.

Flouros, Pistikou, and Plakandaras (2022) provide large scale evidence for the relationship between geopolitical risk and renewable energy investment. Their panel of 171 economies shows that higher geopolitical risk significantly reduces renewable energy investment, even after controlling for macroeconomic factors. This provides a useful benchmark for comparing the project-level findings of this thesis. Goh, Law, and Trinugroho (2025) complement this by showing that stable renewable energy policies increase the attractiveness of emerging markets for foreign direct investment over the long term. This is directly relevant for the Austrian investor guidance developed under Research Objective 4.

Nowinska and Olesen (2025) provide the most directly relevant empirical study for this thesis by examining investment behavior during the Russia's war in Ukraine. The authors identify a non-linear relationship between conflict intensity and investment decline, and show that reconstruction projects supported by grants, blended finance or international financial institutions are less affected by conflict escalation than commercial greenfield investment. These findings support the thesis's focus on IFI-anchored and blended-finance structures as the main mechanisms through which investment continues in the high-risk environment. At the same time, Nowinska and Olesen acknowledge the lack of project-level evidence on how investors assess individual projects, which is the research gap addressed by this thesis.

The Ukraine-specific context is established through a combination of geospatial and policy research. Doronina, Schwarz, Grêt-Regamey and others (2024), in a peer-reviewed study from ETH Zurich, provide the first comprehensive mapping of damage to Ukraine's electricity infrastructure and compare different reconstruction scenarios. Their analysis shows that large centralized thermal and hydropower facilities have experienced the greatest physical damage and remain the most exposed to future attacks, whereas distributed renewable energy projects face lower physical risks, a finding directly relevant to the segment comparison in Research Objective 3. Zaniewicz and Moiseienko (2025) at the Brookings Institution complement this by analyzing why energy infrastructure has been targeted and how measures such as distributed generation, grid hardening, and microgrids have improved the resilience of Ukraine's energy system.

Several Ukraine-focused studies further strengthen this context. Becker, Eichengreen, Gorodnichenko, Guriev, Johnson, Mylovanov, Rogoff, and Weder di Mauro (2022), outline the institutional reforms, financing instruments, and governance arrangements needed for Ukraine's reconstruction, including the energy sector. Sukurova, Wietschel, Fragoso, Müller, Franke, Kantel (2023), in a Fraunhofer ISI working paper, assess Ukraine's hydrogen export potential in the context of EU energy integration, which is directly relevant to interview Q18 (segment attractiveness) and Q20 (EU accession effect). Kudria, Ivanchenko, Tuchynskyi, Petrenko, Karmazin, and Riepink (2021) provide the pre-war benchmark for Ukraine's renewable energy capacity and regulatory environment. Trypolska and Riabchyn (2022) analyze the financing of Ukraine's renewable energy sector, focusing on feed-in tariff debt, retroactive tariff changes, and their impact on investor confidence. These contributions are particularly important because they document the gap between formal regulation and its implementation, which this thesis examines through expert interviews.

Nikolchuk and Lopatovska (2023) assess Ukraine's investment attractiveness using an investor survey. They identify weakness in the judicial system, corruption, regulatory instability, and foreign exchange risk as the main barriers to investment before the full-scale invasion. Their findings show that many of the institutional challenges facing investors today existed before the war and have since become more severe. This suggests that improving Ukraine's investment climate will require institutional reforms alongside post-war reconstruction. The practical recommendations developed in this thesis therefore address both long-standing institutional weaknesses and wartime risks.

The broader macro-financial environment is documented by the International Monetary Fund (2024), which describes Ukraine's sovereign debt position, exchange rate constraints, and external financing needs. The continuation of the IMF Extended Fund Facility also serves as an important signal of confidence in Ukraine's economic management, making any disruption to the program a significant risk for investors. The World Bank Group et al. (2026) estimate Ukraine's total reconstruction needs at USD 587.7 billion and identify the gap between available public financing and reconstruction costs as the main reason private capital is needed. Finally, Chepeliev, Maliszewska, and Pereira (2023), in EuroChoices, demonstrate how damage to Ukraine's energy sector

creates wider economic effects across Europe. Their findings help explain why European stakeholders, including Austrian investors, have a direct interest in supporting Ukraine's energy reconstruction and provide the context for the practical recommendations presented in Appendix B.

This literature informs Research Objectives 1, 2, and 3 by establishing what existing research can and cannot explain about how investors evaluate individual projects and energy segments under active conflict.

2.3 Energy Finance, De-Risking Mechanisms, Private Capital Mobilization

The third stream of literature addresses the financial and structural mechanisms that mobilize private capital for energy infrastructure in high-risk and emerging markets. This literature provides the bridge between the institutional theory framework, which explains why investment is difficult, with the financing practices explored through the expert interviews in this thesis.

The starting point is the cost of capital. Steffen (2020) shows, using four estimation methods across different renewable energy technologies and country risk profiles, that the weighted average cost of capital (WACC) for energy projects varies considerably across countries. The study identifies institutional and political risk as the main drivers of these differences, even for the otherwise similar technologies. Ameli, Dessens, Winning, and colleagues (2021) argue that this is a structural problem rather than a temporary one. In high-WACC environments, including conflict-affected and weakly governed markets, high financing costs discourage investment, resulting in fewer successful projects and limited market experience. This, in turn, reinforces investors' perception of risk and keeps the cost of capital high. In Ukraine, this mechanism helps explain why market forces alone are unlikely to close the investment gap. High risk premiums are reinforced by the limited number of bankable projects and successful investment cases, creating a cycle that requires external support to break.

Recent studies refine further the cost-of-capital picture in two directions relevant to Ukraine. Steffen and Waidelich (2022), in *Progress in Energy*, identify regulatory predictability, credible off-takers, and policy stability as the main drivers of the cost of capital, exceeding the importance of technology risk alone. These findings support interview Section 4 (Question 15 to Question 17), which explores whether

contractual and institutional conditions are more important than technology when determining project financeability. Steckel and Jakob (2018) demonstrate how concessional finance and de-risking mechanisms reduce the cost of capital for clean energy investments in developing countries by addressing different categories of risk. Egli, Steffen, and Schmidt (2018) further distinguish between lower financing costs resulting from technological progress and those resulting from lower investment risk as markets mature. This distinction is particularly relevant for Ukraine, where the current wartime risk premium is unlikely to decline through technological development alone.

Polzin, Sanders, Steffen, Egli, Schmidt, Karkatsoulis, Fragkos, and Paroussos (2021), in *Climatic Change*, extend the framework developed by Polzin et al. (2019) by explicitly accounting for differences across countries and energy technologies. Their results show that assuming a single cost of capital across all markets and technologies can lead to misleading conclusions about where energy transition investment is likely to occur. This supports the segment-level approach adopted in Research Objective 3, which assumes that different parts of Ukraine's energy sector require different financing conditions rather than a single cost-of-capital treatment.

Two recent project-finance studies provide additional insights. Gohdes, Simshauser, and Wilson (2022), in *Energy Economics*, show that revenue quality, particularly whether revenues are secured through long-term contracts or depend on market prices, is the main factor determining the bankability of renewable energy projects in the Australian National Electricity Market, more so than CAPEX or technology choice. This provides a useful precedent for the thesis's expectation that power purchase agreements (PPAs) and off-take arrangements will play a central role in Type C investment decisions. Feldman, Jones-Albertus, and Margolis (2020), in *Energy Policy*, distinguish between technology costs and financing costs, showing that lower levelized costs of electricity (LCOE) do not automatically reduce financing costs.

Polzin, Egli, Steffen, and Schmidt (2019) conduct a systematic review of 128 studies on policy instruments that mobilize private investment in renewable energy. They develop a three-category framework that guides the thesis's analytical approach to Research Objective 2. The first category includes risk reduction instruments, such as guarantees, political risk insurance, and first-loss capital provided by governments or international financial institutions. These instruments are most effective in attracting

large institutional investors. Their second category includes risk transfer instruments, such as power purchase agreements, feed-in tariffs, and take-or-pay contracts, which reduce revenue uncertainty for investors. The third category consists of return enhancement instruments, including tax credits and grants, which primarily attract smaller domestic investors. In Ukraine, where reconstruction depends on mobilizing large international investors, these findings suggest that risk reduction instruments, including IFI guarantees, MIGA insurance, and EBRD first-loss structures, are likely to play the most important role. This expectation is examined through interview questions Q3, Q15, and Q16.

Abbas, Wang, Ben Belgacem, Pawar, Najam, and Abbas (2023) extend the framework developed by Polzin et al. by examining the role of geopolitical risk. They find that green finance instruments remain effective under higher geopolitical risk only when supported by strong institutional anchors. This finding is particularly relevant for the Ukrainian context because it suggests that green finance alone is unlikely to attract private investment without IFI participation or sovereign support. It also supports the thesis's proposition that crowding-in mechanisms are not simply helpful but are often necessary for mobilizing private capital during active conflict. Grumann, Madaleno, and Vieira (2024), in *Research in International Business and Finance*, reach a similar conclusion through qualitative case studies. They find that risk-mitigation instruments do not attract additional private investment unless they transfer meaningful risk away from private investors. Their findings are directly relevant to interview questions Q3 (Type B) and Q4 (Type C) and provide a useful methodological reference for Chapter 4.

Geddes, Schmidt and Steffen (2018) explain how public financial institutions and international financial institutions mobilize private capital through crowding-in: by taking the highest-risk positions within a project's capital structure, these institutions reduce the risk premium required by private investors and make commercial participation viable. This mechanism is directly relevant to Ukraine, where governance challenges remain significant. It helps explain why commercial banks and private investors often follow, rather than lead, IFIs in financing energy projects. The thesis examines whether this relationship also holds under active conflict, when both IFIs and commercial investors face exceptionally high levels of uncertainty.

The OECD (2022) identifies the main barriers preventing institutional investors from financing sustainable infrastructure in emerging markets. These include a limited pipeline of investment-ready projects, currency risk, a lack of standardized investment products, and regulatory barriers. The report recommends blended finance structures that combine concessional and commercial capital with clearly defined risk-return profiles. Attridge and Engen (2019), however, offer a more critical perspective. They show that blended finance often fails in the poorest and most fragile countries because many projects do not meet the assumptions on which these financing structures are based, including sufficient project size, available commercial investors, and minimum governance standards. This perspective is particularly relevant for Ukraine. Rather than assuming that blended finance will close the investment gap, this thesis examines through interview questions Q15 through Q17 which financing structures work under wartime conditions and which continue to face significant constraints.

These mechanisms are central to Research Objective 2 which examines the financial and contractual conditions that shape investment decisions, and to Research Objective 4, which develops practice-oriented recommendations for market entry.

2.4 Financial-Accounting Factors and Disclosure Quality in Investment Decisions

The fourth stream of literature focuses on the main contribution of this thesis: the role of financial reporting and accounting disclosure in shaping investment decisions in high-risk environments with weak institutional enforcement.

The theoretical foundation is provided by Lambert, Leuz, and Verrecchia (2007), who show that higher-quality financial reporting lowers the cost of capital by reducing information uncertainty. When investors can assess future cash flows more accurately, they require a lower risk premium. Importantly, this effect results from better information rather than lower firm-specific risk. For this thesis, these findings explain why credible financial reporting matters not only for project due diligence but also for the overall financing conditions faced by Ukrainian energy companies. Leuz and Wysocki (2016) extend this evidence through a comprehensive review of disclosure regulation. They conclude that better disclosure consistently reduces financing costs and improves capital allocation, while also noting that almost all

existing evidence comes from stable market environments. Evidence from conflict settings remains largely absent, providing an important motivation for this study.

Recent accounting research further highlights the importance of enforcement. Christensen, Hail, and Leuz (2021), in the *Review of Accounting Studies*, show that the effectiveness of mandatory sustainability and CSR reporting depends primarily on enforcement institutions rather than formal adoption alone. This is the most direct theoretical support available for the thesis's central distinction between formal IFRS / CSRD adoption and informal enforcement credibility in Ukraine. Petrovic, Barreiro, and Hermida (2023) reach a similar conclusion in Ecuador, finding that mandatory IFRS adoption did not improve earnings quality without stronger enforcement institutions.

Three further sources define the limitations of ESG ratings. Christensen, Serafeim, and Sikochi (2022), in *The Accounting Review*, show that differences between ESG ratings mainly reflect different measurement approaches rather than random error. Berg, Kölbel, and Rigobon (2022), in the *Review of Finance*, similarly find that measurement differences explain most variation across ESG ratings. Together, these studies suggest that ESG ratings cannot replace direct assessment of financial reporting and disclosure during due diligence: an investor evaluating a Ukrainian energy counterparty cannot rely on aggregated ESG scores as a counterparty-credibility signal but must engage with the underlying disclosure quality directly. Krueger, Sautner, and Starks (2020), in the *Review of Financial Studies*, further show that institutional investors consider climate risk to be financially material and therefore require high-quality disclosure. This is directly relevant to interview Section 6 (Question 20) on EU Taxonomy and CSRD alignment. Finally, Sautner, van Lent, Vilkov, and Zhang (2023), in the *Journal of Finance*, demonstrate that text-based analysis of corporate disclosures provides a useful complement to traditional financial reporting. This approach is consistent with the thesis's use of expert interviews alongside formal disclosure analysis.

The adoption of International Financial Reporting Standards has been the primary formal mechanism through which emerging market firms have sought to signal reporting quality to international investors. However, the literature consistently shows that formal adoption alone is not sufficient. Daske, Hail, Leuz, and Verdi (2008), in the

benchmark cross-country study of mandatory IFRS adoption, find that lower financing costs and higher market liquidity occur only where strong legal enforcement and credible reporting incentives exist. Daske et al. (2013) further distinguish between "serious adopters," who genuinely implement IFRS, and "label adopters," who formally comply without meaningful changes in reporting practices. Only serious adopters benefit from improved capital market outcomes. Taken together, these studies provide a central argument for this thesis: formal IFRS adoption by Ukrainian energy companies does not necessarily guarantee the quality of financial information required by international investors for due diligence, project valuation, and covenant monitoring.

This conclusion is reinforced by evidence from comparable institutional environments. Houqe, Easton, and van Zijl (2014), find that IFRS adoption does not improve earnings quality in countries with weak investor protection unless effective enforcement is also in place. Atanasovski and Trpeska (2019) report similar findings for North Macedonia, where disclosure quality improved only after enforcement institutions became stronger. This experience provides a useful comparison for Ukraine, where formal adoption and practical implementation may also differ: the institutional distance between IFRS-on-paper and IFRS-in-practice is the specific empirical condition the thesis investigates in the Ukrainian energy sector. Petrovic et al. (2023) reach similar conclusions for Ecuador, while Silva, Jorge, and Rodrigues (2021), in a systematic review of IFRS enforcement, identify enforcement quality as the key factor determining whether IFRS adoption improves reporting quality. Together, these studies support the thesis's treatment of accounting disclosure as a potentially weak signal in Ukraine's institutional environment.

Silva, Jorge and Rodrigues (2021) review IFRS enforcement studies and conclude that enforcement strength, rather than formal standards alone, drives reporting quality and moderates earnings-management behavior. This suggests that formally IFRS-compliant financial statements may still provide limited information for international investors if reporting incentives remain weak. Khan, Irfan, and Naveed (2024) provide similar evidence from frontier markets, showing that better reporting quality improves investment efficiency only where investor protection is sufficiently strong. These findings provide the basis for interview questions Q10 through Q14, which examine how investors evaluate financial reporting quality in Ukraine's energy sector. Together this completes the analytical basis for Research Objective 2 by

identifying the specific disclosure and reporting conditions that investors evaluate when assessing the financeability of energy projects.

2.5 Synthesis and Identification of the Research Gap

This chapter synthesizes the four streams of literature reviewed above, with institutional theory serving as the primary analytical foundation, and identifies the research gap addressed by this thesis as shown in the Figure 1. While each stream explains different aspects of investment under uncertainty, none provides a complete explanation of how investors make project-level decisions for energy infrastructure in an active conflict environment. Bringing these perspectives together highlights both the strengths of the existing literature and the questions that remain unanswered.

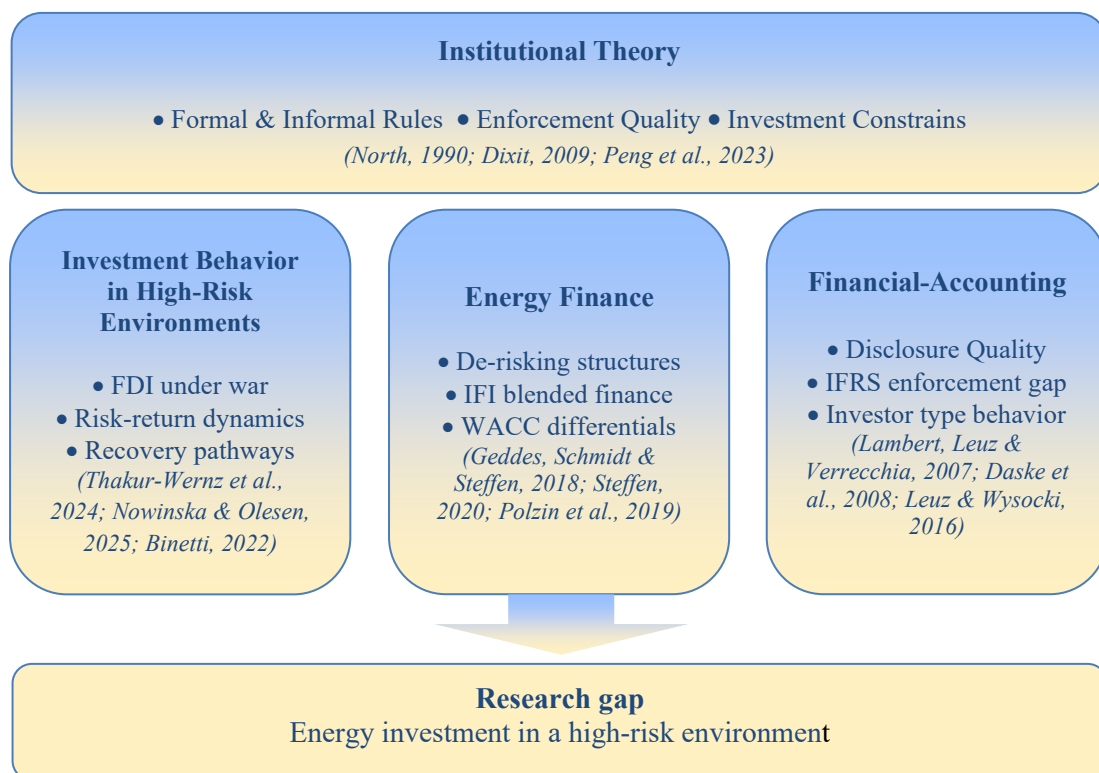


Figure 1 Four thematic clusters of the literature review and their consolidation on the central research gap.
Source: own illustration

The institutional theory literature in Section 2.1 shows that investment in high-risk environments is not simply discouraged by weak institutions. Instead, investors develop contractual, financial, and relational mechanisms to compensate for institutional weaknesses. The distinction between formal and informal institutions (North, 1990; Peng, 2023), institutional layering (Streeck and Thelen, 2005), and the

evidence provided by Bu et al. (2022), Boddewyn and Peng (2021), Sovacool and Evensen (2024), Rafiq et al. (2025), Chen and Jiang (2023), Caldara and Iacoviello (2022), Jarret et al. (2023), Cetin and Yaman (2023), Bhujabal, Sethi and Padhan (2024), and Saikia (2022) together explain how different investors are expected to respond to institutional risk. However, most of this research examines emerging markets during peacetime. Whether these mechanisms operate in the same way under active conflict remains largely unknown.

The conflict and investment literature in Section 2.2 explains why conflict reduces investment and identifies several important mechanisms, including Knightian uncertainty (Thakur-Wernz et al., 2024), investment sequencing across sectors (Binetti, 2022), and the role of international financial institutions (Nowinska & Olesen, 2025). Additional evidence from Bounou and Yatié, Boubaker et al., Yudaruddin and Lesmana, Bakkar et al., Fatima et al., Banna et al., and Mihalache-O'Keef further explains how conflict affects financial markets, investment behavior, and post-conflict recovery. However, this literature focuses mainly on macro-level investment patterns. It provides little evidence on how investors evaluate individual projects under active conflict or how institutional and financial conditions influence these decisions.

The energy finance literature (Section 2.3) offers a well-developed understanding of project financing and de-risking mechanisms. Studies by Geddes et al. (2018), Steffen (2020), Ameli et al. (2021), Polzin et al. (2019; 2021), Steffen and Waidelich (2022), Steckel and Jakob (2018), Egli, Steffen, and Schmidt (2018), Gohdes et al. (2022), Feldman et al. (2020), Abbas et al. (2023), Attridge and Engen (2019), Grumann et al. (2024), and Flouros et al. explain how financing conditions, guarantees, blended finance, and risk-sharing mechanisms influence private investment. However, most of this research assumes relatively stable institutional environments. It provides limited guidance on how these financing structures perform when infrastructure is under attack, public institutions are disrupted, and sovereign counterparties face severe credibility challenges.

The financial reporting and accounting literature in Section 2.4 demonstrates that disclosure quality directly influences the cost of capital (Lambert et al., 2007) and that the benefits of IFRS adoption depend on effective enforcement rather than formal compliance alone (Daske et al., 2008; 2013; Silva et al., 2021; Petrovic et al., 2023).

More recent studies also show that ESG ratings cannot replace direct assessment of disclosure quality, and that climate-related information has become an important factor in investment decisions (Christensen, Hail, and Leuz; Christensen, Serafeim, and Sikochi; Berg, Kölbel, and Rigobon; Krueger, Sautner, and Starks; Sautner et al.). Despite these advances, little research has examined how investors assess financial reporting and disclosure in conflict-affected energy markets. Existing studies generally treat disclosure as a background condition rather than as a factor that investors actively evaluate during project financing.

Taken together, the literature reveals four important research gaps. First, there is little project-level evidence on how investors assess institutional and financial conditions during active conflict. Existing research focuses primarily on macroeconomic trends and theoretical explanations. Second, the role of financial reporting and accounting disclosure in investment decisions under conflict has received very limited attention. Third, there is little evidence on how different investor groups, with different objectives and risk preferences, respond to the same institutional environment in Ukraine. Finally, no existing study examines how institutional conditions, financial reporting quality, and investor characteristics interact to determine whether individual energy projects can be financed during active conflict.

This thesis addresses these gaps through semi-structured interviews with three groups of investors involved in Ukraine's energy sector: Ukrainian energy companies (Type A), international financial institutions and advisory organizations (Type B), and foreign stakeholders (Type C). By combining institutional theory, conflict economics, energy finance, and accounting, the study provides new empirical evidence on project-level investment decisions during active conflict. The findings contribute to the academic literature while offering practical guidance for investors, international financial institutions, and policymakers supporting Ukraine's energy reconstruction.

2.6 Chapter Summary

This chapter has reviewed four streams of literature that together establish the analytical framework for the thesis. Institutional theory explains how investors react to governance deficits not only by reducing exposure but by restructuring it through substitute mechanisms such as relational contracting, IFI co-investment, and institution-bridging contractual designs that compensate for weak enforcement (North,

1990; Dixit, 2009; Cuervo-Cazurra et al., 2019; Peng et al., 2023). Within this strand, the distinction between formal and informal institutions, institutional layering, and recent quantitative work on governance quality and geopolitical risk generate concrete expectations about how different investor types respond to Ukraine's wartime institutional environment (Streeck and Thelen, 2005, Bu et al., 2022; Yi et al., 2019; Caldara and Iacoviello, 2022; Jardet et al., 2023).

The conflict and investment literature establishes the broader context for investment decisions under active conflict. It shows that violence and geopolitical shocks reduce long-term investment through both measurable risk and Knightian uncertainty, while also demonstrating that the effects differ across sectors rather than causing a uniform decline in investment (Thakur-Wernz et al., 2024; Binetti, 2022; Bounboua and Yatié, 2022; Boubaker et al., 2022). Studies on Ukraine further show that IFI-supported and blended finance structures are more resilient to conflict escalation than purely commercial greenfield investments, and that many institutional weaknesses existed before the war but have become more severe since the invasion (Nowinska and Olesen, 2025; Doronina et al., 2024; Nikolchuk and Lopatovska, 2023; World Bank Group et al., 2026).

The energy finance and de-risking literature explains the financial mechanisms that enable investment despite these risks. It highlights the importance of country and governance risk for the cost of capital, the crowding-in role of public and multilateral institutions, and the different effects of risk-reduction, risk-transfer, and return-enhancement instruments across investor groups (Steffen, 2020; Ameli et al., 2021; Polzin et al., 2019; Geddes et al., 2018). At the same time, this literature shows that standard blended finance models often perform less effectively in the most challenging environments. It also provides limited guidance on how PPAs, guarantees, and layered financing structures should be adapted when infrastructure is exposed to physical destruction, public institutions are disrupted, and sovereign credibility is weakened, as is the case in wartime Ukraine (OECD, 2022; Attridge and Engen, 2019).

Finally, the financial reporting and accounting literature demonstrates that disclosure quality and effective enforcement influence both the cost of capital and investor confidence (Lambert et al., 2007; Leuz & Wysocki, 2016). Studies on IFRS adoption, earnings management, and ESG reporting consistently show that formal

reporting standards alone do not improve investment outcomes without credible enforcement (Daske et al., 2008; 2013; Houqe et al., 2014; Christensen et al., 2021; Petrovic et al., 2023). At the same time, little research has examined how investors evaluate financial reporting and disclosure when financing energy projects in conflict-affected environments.

Taken together, the literature reveals a clear research gap. There is little project-level evidence on how institutional conditions, financial reporting quality, and de-risking mechanisms jointly shape investment decisions during active conflict or how these assessments differ across investor groups. This thesis addresses these gaps through semi-structured interviews with Ukrainian energy companies, international financial institutions and advisory organizations, and foreign stakeholders. By combining insights from institutional theory, conflict economics, energy finance, and accounting, it provides new empirical evidence on investor decision-making in Ukraine's wartime energy sector.

3 – Contextual Background: Ukraine's Energy Sector

This chapter provides the context for investor decision-making in Ukraine's energy sector. It begins with an overview of Ukraine's pre-war energy sector and its strategic role within the European energy system in Section 3.1, followed by an assessment of war-related damage and its operational consequences confirming the high-risk environment in Section 3.2. Section 3.3 discusses the structural factors that shape both investment opportunities and the decision-making complexity central to this research.

3.1 Pre-War Baseline and Strategic Significance

Ukraine entered February 2022 as one of the largest energy producers in Europe, with an installed electricity generation capacity of approximately 55 GW, combining nuclear, thermal, hydro, and a rapidly expanding renewable base, placing the country among the top ten electricity-producing states in Europe (IEA, 2025). Nuclear generation accounted for roughly 55% of total electricity output in 2021, underscoring the legacy of large Soviet-era nuclear units and the competitive economics of low-variable-cost baseload (IAEA, 2026; IEA, 2025). Thermal, hydro and an increasingly important renewable segment made up the remainder of the generation mix (IEA, 2025).

The renewable sector expanded rapidly in the decade before the invasion, supported by a feed-in tariff regime introduced under the 2017 electricity market reform, with renewable capacity surpassing 9 GW by 2021, including more than 6 GW of solar PV and around 1.5 GW of wind (IRENA, 2023; IEA, 2025). By early 2022, payment arrears to renewable generators under the state feed-in tariff exceeded USD 1 billion, signaling governance and regulatory vulnerabilities that the war has subsequently magnified (World Bank Group et al., 2026).

Ukraine's membership in the Energy Community and its progressive adoption of the EU energy acquis shaped the pre-war institutional landscape, with the 2017 electricity market reform and the establishment of National Energy and Utilities Regulatory Commission (NEURC) as an independent regulator as key milestones (Energy Community Secretariat, 2025). Following emergency synchronization with the

Continental European Transmission System in March 2022, permanent synchronization was confirmed in 2023, and from January 2024 Ukrenergo has operated as a full ENTSO-E member, providing the backbone for Ukraine's integration into the European power system (ENTSO-E, 2024; IEA, 2025).

3.2 War Damage and Operational Disruptions (2022-present)

Russia's full-scale invasion of 24 February 2022 triggered an escalating campaign of strikes against energy infrastructure that continued through the 2025-2026 winter. The fifth Rapid Damage and Needs Assessment (RDNA5) estimates direct physical damage across all sectors at USD 195.1 billion as of 31 December 2025, with total recovery and reconstruction needs of USD 587.7 billion over the next decade; the energy sector is identified as one of the three most severely affected sectors (World Bank Group et al., 2026). RDNA5 records a further 21% increase in damaged or destroyed energy assets between mid-2023 and the end of 2025, reflecting sustained attacks on generation, transmission, distribution and district heating systems (World Bank Group et al., 2026).

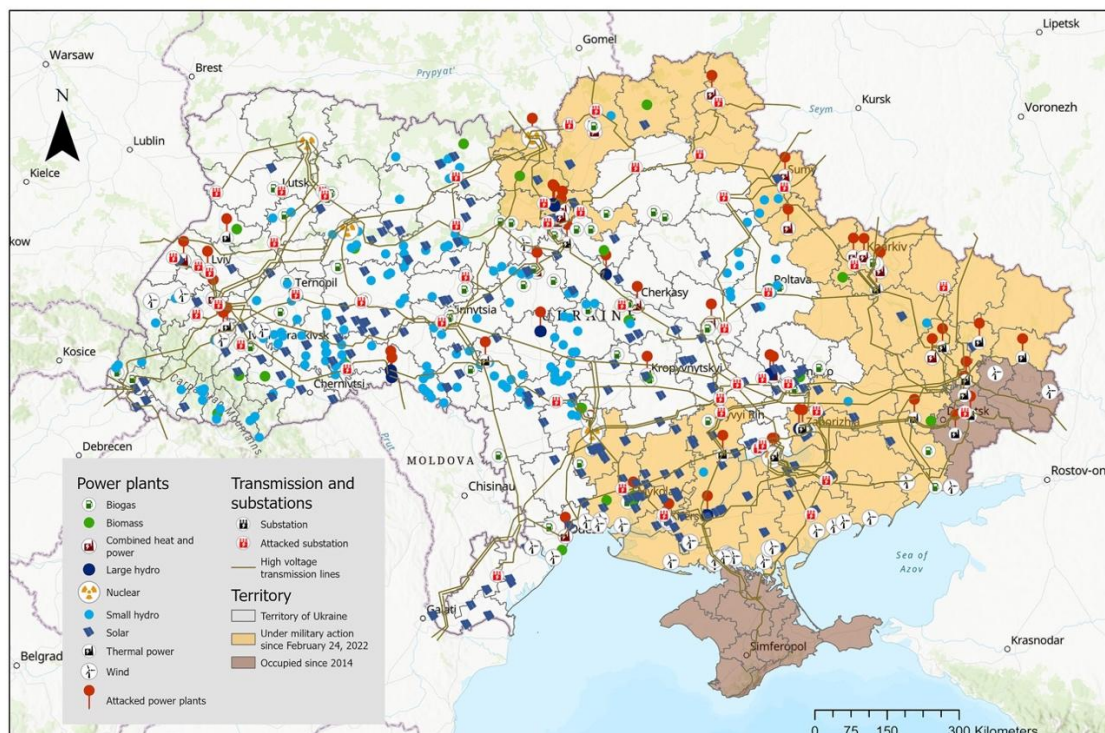


Figure 2 The pre-war electricity generation infrastructure and post-2022 damage by region (as of February 2024). Source: Doronina et al. (2024).

Within the energy sector, the power subsector has been the most heavily affected, with extensive destruction of thermal generation, high-voltage substations and distribution networks, and repeated strikes on critical nodes (World Bank Group et al., 2026; KSE Institute, 2026). The destruction of the Kakhovka Hydropower Plant in June 2023 eliminated approximately 350 MW of installed hydro capacity and irreversibly altered the Dnipro cascade water regime, constraining irrigation, municipal water supply and downstream hydropower generation (World Bank Group et al., 2026). Ukraine's nuclear fleet has remained operational under heightened security conditions, but the continued occupation of the Zaporizhzhia Nuclear Power Plant constitutes a systemic risk with no near-term resolution in sight (IAEA, 2026; IEA, 2025).

The winter of 2025-2026 was characterized by intensified missile and drone attacks on energy facilities, leading to widespread outages and severe humanitarian impacts. RDNA5 and subsequent UN human rights reporting document that coordinated strikes on power plants, transmission lines and district heating networks produced rolling electricity cuts, in some periods limiting supply to a few hours per day in many regions (World Bank Group et al., 2026; OHCHR, 2026). The 2025-2026 attacks systematically targeted centralized heating infrastructure serving urban areas, leaving hundreds of thousands of households without heating and hot water during the coldest winter since 2010 and disproportionately affecting older persons, people with disabilities, internally displaced persons and low-income households (OHCHR, 2026).

The four subsectors relevant to this study – renewables, conventional generation, grid and transmission, and district heating – present distinct combinations of damage exposure, institutional risk, and expected returns in the post-2025 context. RDNA5 estimates that energy-sector recovery and reconstruction needs amount to nearly USD 91 billion over ten years, with a large share attributed to power generation and heat supply infrastructure (World Bank Group et al., 2026). Renewable investments are identified by RDNA5, the National Energy and Climate Plan 2025-2030 and the IEA's 2025 assessment as priority technologies due to their relatively rapid deployment, modularity and alignment with EU climate commitments and the Ukraine's National Energy and Climate Plan (NECP) targets (Energy Community Secretariat, 2025; IEA, 2025; Cabinet of Ministers of Ukraine, 2026). At the same time, transformer and high-voltage equipment supply chains remain constrained, with typical

lead times of 12-18 months, creating a structural bottleneck for grid and transmission reconstruction even when financing is available (IEA, 2025).

District heating presents the most pronounced financing and governance gap in the 2025-2026 assessments. RDNA5 highlights extensive damage to heat-only boiler plants and distribution networks and notes that many municipal heating utilities operate below cost-recovery levels, complicating efforts to structure bankable projects despite the inclusion of district heating modernization in the NECP and Ukraine Facility investment pipelines (World Bank Group et al., 2026; Energy Community Secretariat, 2025). NEURC's 2025 bulletin further documents the widespread use of temporary tariff freezes and compensatory mechanisms during the war, which stabilized household bills but deepened under-investment and arrears in the district heating sector (NEURC, 2025).

Institutional and regulatory dynamics since 2024 are central to investors' risk assessments. NEURC remains formally independent but has operated under emergency conditions that constrain its ability to fully implement cost-reflective tariffs and competitive market rules, contributing to persistent price caps, export restrictions and public service obligations in electricity and heat markets (NEURC, 2025; IEA, 2025). At the same time, the launch of the NECP 2025–2030 and the operationalization of the EU's Ukraine Facility in 2024-2025 have anchored a more structured reform path for the energy sector, linking disbursements to progress on market liberalization, decarbonization and governance benchmarks (European Commission, 2025; Energy Community Secretariat, 2025).

The EU accession process, reinforced by the European Council's 2023 decision to open accession negotiations and by subsequent 2025 Council conclusions, provides the overarching framework for these reforms. For energy investors, this accession-conditioned trajectory reduces long-term regulatory uncertainty by aligning Ukraine's markets with EU rules, but near-term uncertainty remains high due to wartime derogations, emergency measures and the sequencing of reforms (European Commission, 2025; World Bank Group et al., 2026; Cabinet of Ministers of Ukraine, 2026).

3.3 Ukraine's Energy Reconstruction as an Investment Opportunity

Since the 2022 invasion, Ukraine's Ministry of Energy has continued to shift the sector's technology base rather than aim to restore the pre-war status quo. At the June 2026 Ukraine Recovery Conference in Gdańsk, the Ministry presented an updated Energy Strategy targeting a return to 54 GW of installed generation capacity, the level last held in 2014, but built around a substantially different mix: nuclear as the low-carbon baseload at approximately 50%, renewables at approximately 30%, and new gas-fired capacity together with modernized district heating – reflecting the central role of combined heat-and-power plants – at approximately 20%, effectively eliminating coal from the generation mix as shown on the Figure 3 below (Interfax-Ukraine, 2026).

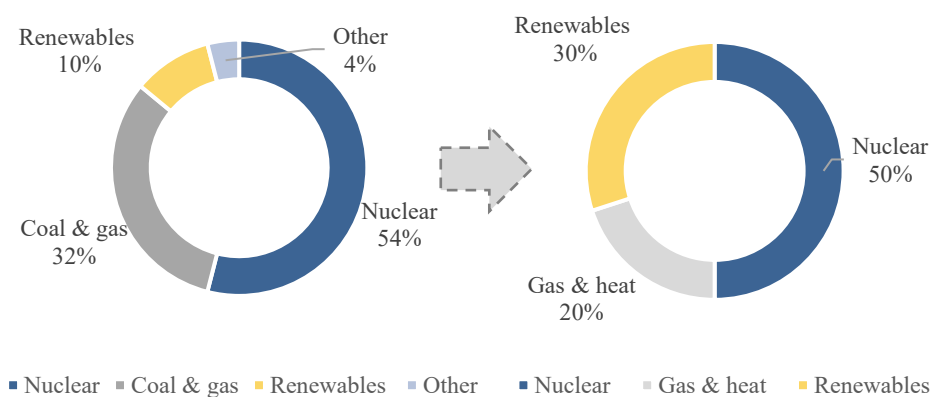


Figure 3 Ukraine's energy generation mix: pre-war baseline vs. 2035 strategic target
Source: own illustration, based on IEA (2025); CEPA (2025); Interfax-Ukraine (2026)

This represents a near-tripling of renewables' pre-war share of roughly 10%, and directly signals the segments the government considers investable going forward. For investors, this creates a rare degree of policy clarity: rather than a market recovering toward an undefined destination, Ukraine's energy sector is rebuilding toward an explicit, EU-aligned technology target that closely tracks the segment structure examined in this thesis (renewables, grid and transmission, district heating, and conventional generation).

RDNA5 estimates that reconstruction and recovery needs in the energy sector alone amount to nearly USD 91 billion over the next decade, within an overall envelope of USD 587.7 billion for all sectors (World Bank Group et al., 2026). The Ukraine Facility and other EU and G7 instruments mobilize significant public and concessional finance but still leave a sizeable gap that can only be filled by private capital,

particularly in renewable generation, storage, flexible gas-fired capacity, grid modernization and district heating upgrades (World Bank Group et al., 2026; IFC, 2023). The NECP and Ukraine Facility both emphasize reforms to improve the business environment, deepen capital markets and align production with EU green and digital standards as prerequisites for crowding in institutional investors (European Commission, 2025; Energy Community Secretariat, 2025).

ENTSO-E synchronization and the progressive lifting of technical and regulatory constraints on cross-border trade create an emerging opportunity for Ukraine to export low-carbon electricity to EU markets once security conditions allow, a prospect that is particularly attractive for European utilities and institutional investors with net-zero commitments and limited greenfield options inside the EU (IEA, 2025; UWEA, 2026).

In summary, Ukraine's energy sector presents a clear paradox. The same conditions that create these opportunities – large-scale destruction, compressed reform timelines, and deep integration with EU markets – also reinforce perceptions of political, regulatory and security risk, making investor responses heterogeneous across segments and instruments (World Bank Group et al., 2026; IFC, 2023). Understanding how different types of investors perceive and respond to these circumstances is the central empirical focus of this thesis.

4 – Methodology

This chapter sets out the methodological architecture of the study, justifying each design decision by reference to the research question, the empirical context, and established standards of qualitative inquiry. It covers philosophical foundations in Section 4.1, the qualitative exploratory design in Section 4.2, sampling strategy and respondent profile in Section 4.3, interview guide development in Section 4.4, data collection in Section 4.5, analytical method in Section 4.6, ethical considerations in Section 4.7, and data structure in Section 4.8.

4.1. Research Philosophy

This study adopts an interpretivist ontology, which views social reality, including investment decision-making, as shaped by how individuals interpret their environment rather than as a single objective reality (Bryman, 2016; Creswell & Poth, 2018). Investment decisions are therefore understood through the meanings investors attach to institutional and financial conditions in Ukraine's wartime environment.

From an epistemological perspective, the study is guided by a constructivist approach, according to which knowledge is developed through the experiences and perspectives of those involved (Lincoln & Guba, 1985). The objective is to build a rich, context-specific understanding of investor decision-making rather than produce statistically generalizable findings.

The research follows a mainly inductive approach: institutional theory, energy finance, and financial reporting literature provide an initial framework, but the study does not test predefined hypotheses, instead developing concepts from the data through the Gioia methodology's inductive coding process (Gioia, Corley & Hamilton, 2013; Gehman et al., 2018). An abductive element also compares emerging findings against the literature, refining the framework where necessary (Timmermans & Tavory, 2012; Hulst et al., 2025).

4.2 Research Design – Qualitative Exploratory Approach

The study follows a qualitative, exploratory design based on semi-structured expert interviews because it best fits the aim of this study for three reasons. First, the research examines how institutional and financial reporting factors influence investor decision-making. Since the focus is on how investors interpret and respond to complex

institutional conditions, qualitative methods are particularly appropriate (Gioia, Corley & Hamilton, 2013; Gehman et al., 2018). Second, the context of active conflict, institutional disruption, and commercially sensitive investment decisions makes large-scale surveys and secondary financial data difficult to use and insufficient to capture project-level decision-making (Yin, 2018). However, studying an extreme case helps reveal mechanisms that may remain hidden in more stable settings (Flyvbjerg, 2006). Third, as discussed in Chapter 2, there is little empirical evidence on how investors evaluate institutional and financial reporting conditions for individual energy projects in wartime Ukraine.

Semi-structured expert interviews were selected as the primary data collection method because they provide access to professional knowledge that is not publicly documented and requires interpretive depth to be analytically useful (Meuser & Nagel, 1991; Bogner et al., 2009). Respondents are treated as experts in the technical sense as individuals who, through their professional role, possess specialized knowledge of financing, structuring, and risk assessment in Ukrainian or comparable high-risk energy markets. The format let experts describe factors in their own terms while allowing follow-up questions and adaptation to each respondent's institutional position, flexibility that is particularly valuable given how under-researched this phenomenon is.

Interviews were conducted in English, Ukrainian or German, typically lasting 60 to 75 minutes, via video call (MS Teams) or in person where preferred by the respondent.

4.3 Sampling Strategy and Respondent Profile

Respondents were selected using purposive theoretical sampling, in line with the interpretivist, exploratory design of the study (Patton, 2015; Bryman, 2016). Rather than aiming for statistical representativeness, the sample was constructed to maximize conceptual variation along the institutional positions that the theoretical framework identifies as most consequential for energy investment in high-risk environments (North, 1990; Peng et al., 2023).

The sampling frame was defined by two criteria:

1. Direct involvement in financing, developing, structuring, or advising on energy infrastructure projects in Ukraine or in comparable conflict-affected markets, and
2. Professional seniority sufficient to give the respondent decision-making authority or deep advisory insight into the phenomena under investigation.

Aiming to compare how different investor-stakeholder types assess risks and institutional conditions as per Research Objective 1, the interview guide includes type-specific questions for each of the three investor categories. This typology is theoretically grounded in institutional theory and the energy-finance literature, which together suggest that actors occupying different institutional positions face distinct constraints and employ different strategies for coping with weak enforcement, wartime disruption, and information asymmetries (Dixit, 2009; Polzin et al., 2019). Local firms (Type A) experience institutional weakness and accounting-disclosure constraints from the issuer side; IFIs and advisory actors (Type B) act as institutional intermediaries and reform agents, translating macro-level reforms into project-level conditionalities; while commercial lenders and ECAs (Type C) articulate the minimum reporting, risk-mitigation, and return thresholds required for market-rate capital to engage (Geddes et al., 2018; Ameli et al., 2021).

These variants were clearly marked in the guide and allowed to tailor the conversation to the respondent's institutional position without losing the cross-type comparability provided by the core question set. The sample included the following categories:

1. Type A (Energy companies developing projects in Ukraine).

Questions focus on the interplay between strategic or national-mission considerations and commercial risk-return calculus; the gap between statutory financial reporting and what international investors require; and experiences of seeking and structuring international financing under wartime conditions.

2. Type B (IFIs and advisory firms)

Questions focus on de-risking instruments and their effectiveness; the tension between mandate-driven reform conditionality and acceptable risk exposure;

and due-diligence methodology under constrained audit and accounting conditions.

3. Type C (Foreign stakeholders)

Questions focus on minimum financing and risk-mitigation thresholds; accounting covenant design; treatment of off-balance-sheet risks and contingent liabilities; and the conditions under which commercial institutions would increase their Ukraine energy exposure.

Empirical work on saturation shows that, in focused qualitative studies, most thematic codes emerge within the first 6-12 interviews, with subsequent interviews adding depth rather than fundamentally new categories (Guest et al., 2006; Hennink and Kaiser, 2022). In practice, data collection continued until additional interviews within a given type ceased to generate new thematic codes or to substantially refine existing analytical categories, consistent with these saturation criteria.

4.4 Interview Guide Development

The interview guide has been developed in several rounds, derived from the research question and four research objectives and translated into sub-questions and thematic sections as indicated in the Chapter 2. It consists of seven thematic sections and 24 questions in total (Q0-Q23), organized in a funnel structure from broader to more specific topics (Kvale & Brinkmann, 2015) as shown in Table 1 below.

Section	Theme	Core questions	Research objective
1	Risk perception and assessment	Q0-Q4	RO1
2	Institutional and regulatory environment	Q5-Q9	RO1/RO3
3	Financial-accounting factors and disclosure	Q10-Q14	RO2
4	Project structures and instruments	Q15-Q17	RO2/RO4
5	Energy segment attractiveness	Q18-Q19	RO3
6	Forward-looking: reform & reconstruction	Q20-Q21	RO4
7	Closing	Q22-Q23	Validity/completeness

Table 1 The structure of the interview guide and relevance to the research objectives

To compare how different investor types assess risks and institutional conditions, the guide uses type-specific question variants for three groups (Ukrainian energy companies; international financial institutions and advisory firms; foreign stakeholders), which are clearly marked to keep questions comparable.

Questions were designed in accordance with established best practices for qualitative expert interviews (Kvale & Brinkmann, 2015; Bogner et al., 2009). Grand tour questions open each thematic section, inviting respondents to describe their experience and priorities in broad terms before more specific probes are introduced. Leading questions were systematically avoided in the drafting and review process. Where relevant, probe questions were included in the guide to prompt respondents to give specific examples, to distinguish between formal rules and practical enforcement.

An additional introductory section (Section 0) collected background profile data off the record as shown in the Table 2 below.

Investor / stakeholder type	☐ Type A ☐ Type B ☐ Type C
Organization type	☐ State-owned ☐ Private ☐ International
Primary energy segment focus	☐ Renewables ☐ Conventional generation ☐ Grid/transmission ☐ Heating/efficiency ☐ Cross-sectoral
Years of experience in Ukrainian energy / infrastructure	
Geographic base of operations	

Table 2 The introductory section of the interview guide

The full interview guide, including all type-specific questions and follow-up prompts, is provided in the Appendix A.

4.5 Data Collection Process

Respondents were contacted via professional networks, referrals, and targeted outreach to organizations active in Ukrainian energy financing and advisory. Prior to each interview, participants receive a written information sheet describing the research purpose, their right to withdraw at any time without consequence, and the data management procedures in place. Written or verbal consent is obtained before the interview begins, and consent to audio-recording is sought separately.

Several interviews were conducted in Ukrainian and German and subsequently translated into English for analysis. In line with recent work on cross-language research in international business, translation in this study is understood not as a purely technical exercise of producing identical wording, but as a contextualized process of interpreting meaning across linguistic and cultural boundaries (Chidlow et al., 2014). Following Chidlow et al.'s (2014) call to move beyond a narrow “equivalence paradigm”, the translation process was documented and treated reflexively: the researcher, a fluent speaker of Ukrainian, German and English, translated the interviews into English,

paying particular attention to terminology related to risk, regulation and financial reporting. Where translation choices could have affected the nuance of specialized concepts, explanatory notes were added in the transcripts or discussed in analytical memos, thereby making the interpretive role of language visible rather than treating it as a neutral conduit.

In practice, sixteen expert interviews were conducted between April and June 2026 as summarized in Table 3 to ensure that saturation was reached and all four energy segments, i.e., renewables, conventional generation, grid and transmission, and district heating were covered. Interviews took place both online (via Teams) and in person in Ukraine and Vienna, reflecting the wartime mobility and security constraints of the respondents. Most sessions lasted between 45 and 60 minutes, aligning with the planned 60-75-minute window; one interview took the form of a shorter synchronous conversation of approximately 15 minutes followed by written responses to the remaining questions of the interview guide, which were analyzed as part of the same case.

Feature	Description
Number of interviews	16 expert semi-structure interviews
Mode	13 online (MS Teams); 3 in-person in Ukraine and Vienna
Typical duration	45-60 minutes; one 15-minute call plus written responses
Languages and translation	Ukrainian and German interviews translated into English and transcribed for analysis

Table 3 Summary overview of the interviews

Table 4 completes this profile at the level of the individual respondent, recording each participant's organization type, primary energy-segment focus, professional experience, geographic base, and interview format. Reported experience ranges from ten to more than forty years, and respondents' geographic bases span Ukraine, wider Central and Eastern Europe, and international hubs such as Austria, highlighting the cross-border character of the actors involved in financing Ukraine's energy sector. Respondents are identified by codes reflecting their type and interview sequence (Type A1 to Type A6, Type B1 to Type B6, Type C1 to Type C4), and these same codes are used throughout Chapter 5.

Stakeholder type	Code	Organization Type	Primary energy segment focus	Years of experience	Geographic base of operations	Interview format	Date of the interview
Type A	1	Private energy company (construction/EPC)	Renewables (solar, wind, BESS)	>20	Ukraine	In person, 65 minutes	07.04.2026
Type A	2	Private energy company	Cross-sectoral	10-15	Ukraine	Online via MS Teams; ~60 minutes	25.04.2026
Type A	3	Private energy company	Cross-sectoral	>15	Ukraine	Online via MS Teams; ~60 minutes	02.05.2026
Type A	4	State-owned utility	Grid & Transmission	>10	Ukraine	Online via MS Teams; ~30 minutes	06.05.2026
Type A	5	Private energy company	Grid & Transmission	>15	Ukraine	Online via MS Teams; ~30 minutes	12.05.2026
Type A	6	Private energy company	Cross-sectoral	10-15	Ukraine	Online via MS Teams; ~45-60 minutes	04.06.2026
Type B	1	IFI	Cross-sectoral	15-20	Ukraine, CEE	Online via MS Teams; ~45-60 minutes	17.04.2026
Type B	2	Investment advisor	Cross-sectoral	15-20	Ukraine, international DFI	Online via MS Teams; ~45-60 minutes	28.04.2026
Type B	3	Investment advisor	Renewables (solar, wind, BESS)	~30	Ukraine	Online via MS Teams; ~45-60 minutes	05.05.2026
Type B	4	IFI	Cross-sectoral	>20	Ukraine / international DFI	Online via MS Teams; ~45-60 minutes	30.05.2026
Type B	5	Consulting company	Cross-sectoral	10-15	Ukraine / international DFI	Online via MS Teams; ~45-60 minutes	03.06.2026
Type B	6	IFI	Cross-sectoral	10-15	Europe (incl. Ukraine focus)	Online via MS Teams; ~45-60 minutes	04.06.2026
Type C	1	Foreign Energy Company	Renewables (incl. hydrogen)	>15	Austria, CEE	In person; ~60 minutes	22.04.2026
Type C	2	Foreign Energy Investor	Renewables (solar, wind, BESS)	>15	CEE (incl. Ukraine exposure)	Online via MS Teams; ~50 minutes	24.04.2026
Type C	3	Foreign Energy Investor	Renewables (solar, wind, BESS)	>20	Türkiye, Ukraine	In person; ~60 minutes	26.04.2026
Type C	4	Export credit agency (ECA)	Renewables (incl. small hydro)	>40	Austria, worldwide export mandate	Online via MS Teams; ~50 minutes	07.05.2026

Table 4 Respondent Overview (Anonymized)

4.6 Analytical Method

The analytical approach follows the Gioia methodology (Gioia, Corley & Hamilton, 2013), an interpretivist, inductive theory-building method validated for international business research by Magnani and Gioia (2023). In practice, it functions as textual analysis: transcripts are interpreted for the meanings respondents attach to their experience, not coded for the frequency of predetermined categories.

The methodology was chosen for two reasons: it suits research where existing theory explains the broader phenomenon but not the underlying mechanisms (Section 2.5), and its three-stage coding process moves from respondents' own perspectives to broader theoretical concepts, aligning with the study's interpretivist ontology and constructivist epistemology (Lincoln & Guba, 1985; Creswell & Poth, 2018). It also incorporates an abductive element, comparing emerging findings with the literature and refining the framework where necessary (Timmermans & Tavory, 2012).

4.6.1 Transcription

All interviews were transcribed verbatim using automated software (MS Teams Transcription / Whisper.ai) with manual correction. Filler words, false starts, and non-lexical sounds were removed; substantive self-corrections, hedges, and emphasis were preserved for their analytical significance. Transcripts were reviewed against the audio recording before analysis. Where interviews were not recorded, detailed field notes served as the primary data source and were written up within 24 hours.

4.6.2 Coding Procedure

The analysis proceeded in three iterative stages:

Stage 1 - First-order coding (informant-centered)

Codes were applied across all sixteen transcripts, with new codes added iteratively and applied retrospectively to earlier transcripts to ensure consistency. Each transcript was read several times before coding to understand the respondent's perspective. Consistent with the Gioia methodology (Gioia et al., 2013) and the approach of Stoian et al. (2018), first-order codes were developed using respondents' own words wherever possible. New codes were added throughout the analysis and

applied retrospectively to earlier transcripts to ensure consistency across all sixteen interviews.

Stage 2 - Second-order theming (researcher-centered)

Following the completion of first-order coding, the transcripts were reread in their entirety, and the first-order codes were then grouped into broader themes that reflected common concepts across the data. For example, first-order codes such as ‘war risk normalized’, ‘war as primary barrier’ were later grouped into the second-order theme ‘wartime risk perception’, which ultimately contributed to the aggregate dimension ‘Institutional conditions as the primary shaper of investment behavior’. This stage combined empirical patterns with the institutional theory and financial-accounting framework developed in Chapter 2 while remaining open to new themes emerging from the interviews. Themes mentioned by only a few respondents were retained where they provided important analytical insights. The resulting second-order themes were:

- Wartime risk perception
- Revenue model fragility
- Institutional environment
- Institutional substitution mechanisms
- Accounting readiness for investment
- Blended finance architecture
- Segment attractiveness configuration
- Strategic positioning and EU horizon

The three investor groups were systematically compared throughout this stage to identify differences in how these themes were expressed, consistent with Stoian et al.'s (2018) comparative analysis of managers and advisers.

Stage 3 - Aggregate dimensions

A final integration step merged the second-order themes into higher-order aggregate dimensions that structure the findings presented in Chapter 5. Finally, the second-order themes were integrated into the three aggregate dimensions presented in Chapter 5. These aggregate dimensions represent the main institutional and financial conditions shaping investment decisions for Ukrainian energy projects during active conflict. Consistent with Gioia et al. (2013), they were refined through repeated

comparison with the full dataset and supported by quotations from multiple respondents.

4.6.3 Software

Atlas.ti is used to manage the coding process, store and annotate transcripts, track code frequency and co-occurrence, and produce the audit trail that supports the credibility and dependability of this research. The software did not automate analytical judgment; it served as an organizational and documentation tool.

In addition to the analytical software described above, the AI tool Claude (Anthropic) was used during the writing process to support editing, proofreading, and structural review of draft chapters. Claude was not used to generate original analysis, interpret interview data, or draft findings; its role was limited to reviewing and refining text that I had already written.

4.7 Ethical Considerations

4.7.1 Informed consent

The study was conducted in accordance with the ethical guidelines of the University of Vienna and the principles of the Declaration of Helsinki as applied to social science research. In line with established qualitative research practice, all potential respondents received a written information sheet prior to the interview, explaining the research purpose, the nature of participation, their right to withdraw at any time without negative consequences, and the data management procedures (Kvale and Brinkmann, 2015; Silverman, 2020). Written or verbal consent to participate was obtained before each interview began.

4.7.2 Anonymization and Data Protection

All respondents were anonymized using the alphanumeric coding system described in Section 4.3 (Type A1-A6, Type B1-B6, Type C1-C4). No names, specific organizational identifiers, or commercially sensitive details were retained in the analytical record or will appear in the thesis without explicit written consent. This approach is consistent with standard guidance on confidentiality and anonymization in qualitative business research (Saunders, Kitzinger and Kitzinger, 2015; Kaiser, 2009).

4.7.3 Commercial Sensitivity

Investment decisions and deal-specific financial information are commercially sensitive. Respondents were explicitly informed that the study would not report any information that could be traced to specific transactions, counterparties or proprietary strategies without their consent. Interview questions were designed to elicit analytical and experiential insights rather than confidential deal information, reflecting recommendations for researching elites and expert actors in commercial settings (Kvale and Brinkmann, 2015; Mikecz, 2012). Where respondents indicated that a particular topic was commercially sensitive, the line of questioning was redirected or the respondent's preference not to elaborate was accepted without further probing.

4.8 Data Structure Strategy

Applying this procedure to the sixteen interview transcripts produced 190 first-order codes grouped into eight code families. Fifteen codes reached saturation (identified in at least nine interviews), twenty-five were strongly represented (five to eight interviews), while the remaining codes were either confirmed (three to four interviews) or emerging (one to two interviews). Emerging codes were retained where they provided valuable insights, several of which are discussed further in Chapter 6.

The first-order codes were then grouped into eight second-order themes. At this stage, the three investor groups were systematically compared to identify the differences discussed in Chapter 5. Finally, the second-order themes were integrated into the three aggregate dimensions presented in Chapter 5, each linked to the theoretical framework developed in Chapter 2.

In summary, Figure 4 illustrates this process using a representative selection of first-order codes and supporting quotations, showing how they were developed into second-order themes and aggregate dimensions.

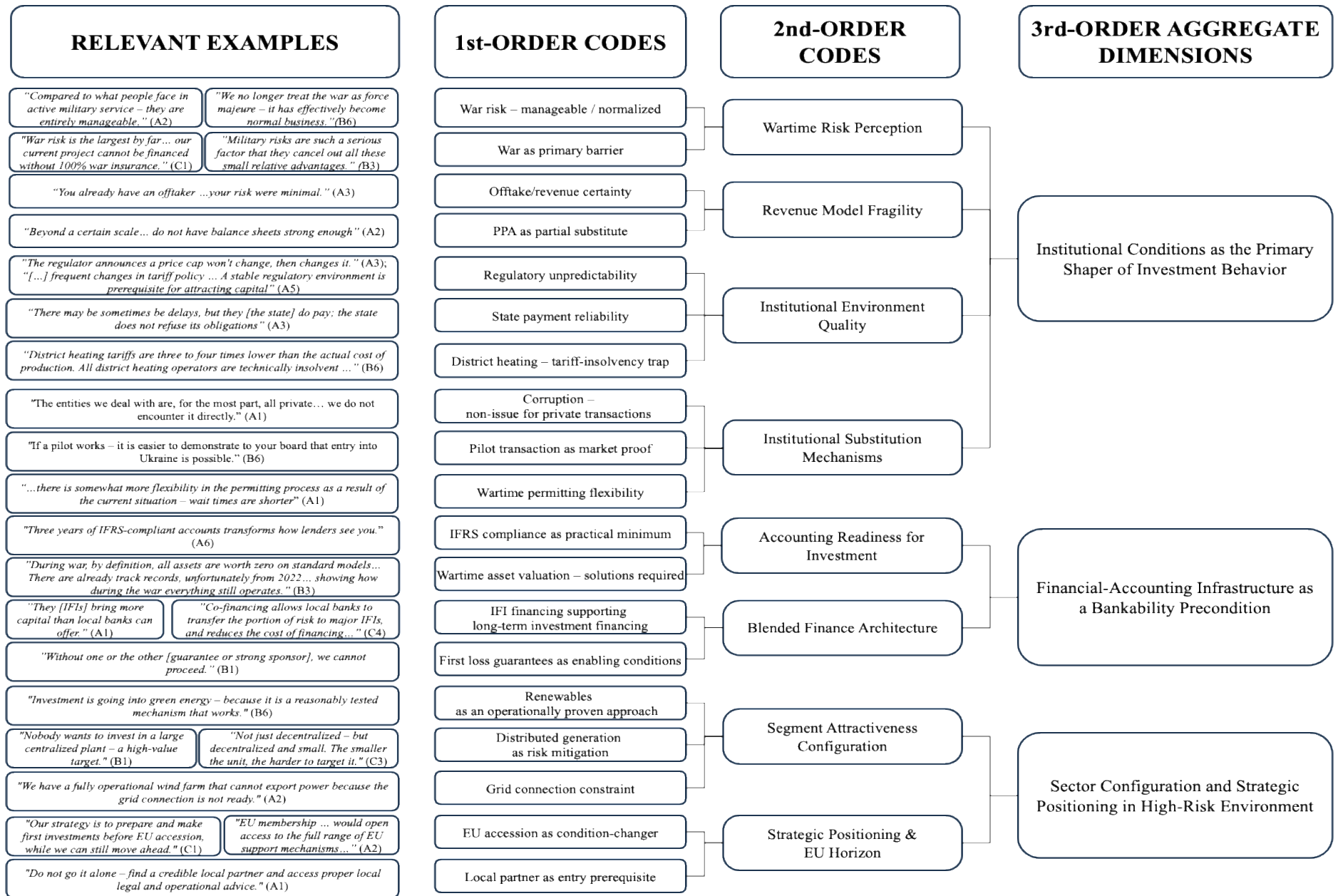


Figure 4 Gioia data structure with representative 1st-order codes, 2nd-order themes, and aggregate dimensions, illustrated with selected quotation

5 – Presentation of Results

This chapter presents the empirical findings of the study using the three-stage Gioia methodology described in Chapter 4. Drawing on sixteen semi-structured expert interviews conducted between April and June 2026, the analysis moves from informant-centered first-order codes through researcher-centered second-order themes to three aggregate dimensions that together constitute the study's empirical answer to the central research question: how do institutional and financial-accounting factors shape investors' decision-making for energy projects in Ukraine under high-risk conditions?

The institution-based view as synthesized by Peng et al. (2023) establishes the organizing theoretical premise for what follows: firms do not passively absorb institutional environments as fixed constraints but respond strategically to them, building relational architectures, selecting counterparties on governance grounds, and deploying contractual innovations that compensate for enforcement deficits. North's (1990) foundational distinction between formal rules (constitutions, laws, property rights, financial regulations) and informal norms (conventions, reputational expectations, enforcement practices) provides the analytical vocabulary for the persistent gap between what Ukrainian energy law mandates and what investors in fact encounter at the project level. Dixit (2009) specifies the operational mechanism: when formal governance institutions are unreliable, private actors develop substitute governance structures, such as relational contracting, reputation networks, international arbitration, that enable exchange despite institutional weakness. These three theoretical anchors generate predictions against which the empirical data are systematically interpreted throughout this chapter.

The chapter is organized around three aggregate dimensions, presented in Figure 4 together with representative first-order codes and illustrative respondent quotations: Institutional Conditions as the Primary Shaper of Investment Behavior, which captures how different investor types perceive and process war risk, regulatory uncertainty, and the informal mechanisms that substitute for weak formal governance; Financial-Accounting Infrastructure as a Bankability Precondition, which addresses how accounting disclosure quality, financial metrics, and blended finance structures shape project financeability; and Sector Configuration and Strategic Positioning under Conflict-Induced Uncertainty, which documents how energy segment dynamics,

physical supply chain constraints, and forward-looking investor positioning around EU accession jointly structure investment decisions.

Throughout, respondents are identified by the codes introduced in Section 4.3 (Type A1 through Type A6, Type B1 through Type B6, Type C1 through Type C4). Verbatim quotations appear in italics; square brackets denote translator or researcher clarifications. Code-frequency notations (e.g. “All 16,” “12/16”) refer to the number of interviews in which a first-order code was confirmed and follow the saturation logic established by Strauss and Corbin (1998), Guest, Bunce and Johnson (2006), and Hennink and Kaiser (2022).

5.1 Dimension I: Institutional Conditions as the Primary Shaper of Investment Behavior

This dimension examines the most fundamental question for investment under active conflict: how do investors perceive war, and how much do they trust the surrounding institutional environment? The findings show that investors do not respond to wartime risk in the same way. Instead, perceptions of risk differ systematically depending on investor type and previous experience in Ukraine, rather than the broadly uniform response that institutional theory's aggregate quantitative evidence would predict (North, 1990; Caldara & Iacoviello, 2022; Jarret et al., 2023).

5.1.1 Wartime Risk Perception

Active war was acknowledged in all sixteen interviews, but its interpretation split sharply by investor type. Rather than the broadly uniform response that institutional theory's aggregate quantitative evidence would predict (North, 1990; Caldara & Iacoviello, 2022; Jarret et al., 2023), the findings reveal clear differences across investor types and levels of experience in Ukraine. Ukrainian energy companies (Type A) generally viewed the war as a new operating reality rather than a reason to stop investing. In contrast, foreign commercial banks and investors without previous experience in Ukraine (Type C) treated wartime risk as a primary barrier to investment. For these investors, war often determined whether a project would be considered at all, rather than representing a risk that could simply be assessed and priced.

"For a foreign investor, the biggest risk is the war. For a local company, that is not a risk."

Type A3

Peng et al. (2023) explain this difference through informal institutional knowledge gained from repeated experience with a country's enforcement practices and counterparties. The most experienced Ukrainian respondents have turned what outside investors would view as open-ended, Knightian uncertainty into a risk they can assess and manage. This experience cannot be replaced by information disclosure alone.

"We no longer treat the war as force majeure. It has effectively become normal business, because when you assess projects for lending, you are giving that credit under conditions of war."

Type B6

Type C investors, who lack this experience, view wartime risk very differently. For them, war risk outweighs all other considerations before any project is evaluated.

"War risk is the largest by far. Our current project cannot be financed without 100% war insurance coverage."

Type C1

This finding extends the work of Jarde et al. (2023), who show that political and institutional uncertainty has a stronger negative effect on foreign direct investment than financial-market uncertainty, particularly in developing economies. The interview data help explain why. Investors without prior experience in Ukraine tend to treat war as a barrier to investment rather than as a risk that can be assessed and managed. This suggests that providing more information alone is unlikely to be sufficient. Practical experience, successful reference projects, and structured market entry programs may be equally important in reducing investment barriers.

5.1.2 Revenue Model Fragility

Confirmed by every respondent, uncertainty about future revenue is the most consistent finding in the dataset. This supports Steffen and Waidelich's (2022) conclusion that regulatory predictability and credible off-take arrangements are more important for the cost of capital than technology risk alone. Under North's (1990)

framework, the feed-in tariff (FiT) acted as a formal institutional commitment that reduced revenue uncertainty by providing predictable cash flows.

"You already have an offtaker, someone obligated to purchase the final product, and you have a fixed price. So, your risks regarding whether you will sell on the market and at what price were minimal."

Type A3

The removal of the FiT for new projects therefore represents more than a change in energy policy. It also removed an important institutional mechanism that made project revenues predictable. Power purchase agreements (PPAs) have partly replaced this role, supporting Dixit's (2009) argument that private actors develop contractual alternatives when formal institutional arrangements become less reliable. However, respondents also pointed to clear limits.

"When you are talking about gigawatt-scale development, you cannot replicate PPAs broadly enough. Beyond a certain scale, the companies willing to sign long-term PPAs either cannot sustain the commitment over a ten-to-sixteen-year horizon or do not have balance sheets strong enough."

Type A2

Respondents also identified the day-ahead market price cap as a major source of uncertainty. By distorting market prices and creating concerns about unequal access to information, it reflects what Boddewyn and Peng (2021) describe as informal institutions that undermine, rather than support, formal rules.

5.1.3 Institutional Environment Quality

Ten respondents identified the state's payment reliability, particularly the history of unpaid feed-in tariff (FiT) obligations, as an important indicator of institutional credibility. District heating tariffs set far below production costs reflect the same problem. Although the formal rules exist, they do not provide conditions that support long-term investment.

"District heating tariffs are three to four times lower than the actual cost of production. All district heating operators are technically insolvent as a result."

Type A6

At the same time, respondents also described examples where formal institutions function effectively because they leave little room for discretion. This suggests that institutional quality in Ukraine's energy sector is uneven rather than uniformly weak.

"There may sometimes be delays, but they, the state, do pay. The state does not refuse its obligations."

Type A3

North's (1990) concept of path dependence helps explain these contrasting experiences. Formal rules can change relatively quickly through legislation, but confidence in how those rules are applied develops much more slowly. The findings suggest that Ukraine's energy sector currently reflects this gap: legislation has advanced faster than the institutional practices needed to make it fully credible for investors.

5.1.4 Institutional Substitution Mechanisms

Against this background of uneven institutional quality, the findings identify three mechanisms that investors use when formal institutions are not sufficiently reliable. Each addresses a different institutional weakness and reflects what Cuervo-Cazurra et al. (2019) describe as an institution-bridging strategy. The first is the transparent, fixed grid connection fee, which removes administrative discretion from the connection process.

"If you want a connection permit, for every megawatt you want to connect, you pay the established connection fee. This decision effectively eliminated all corruption and negative aspects from this issue."

Type A3

The second is the use of pilot projects as proof that investment is possible. A successful project reduces uncertainty for future investors by demonstrating that a workable investment structure already exists.

"The best way is a pilot. If a pilot works, it is easier to demonstrate to your board that entry into Ukraine is possible, that there is a precedent, that it works."

Type B6

The third mechanism is access to international arbitration, introduced into Ukrainian legislation in 2019. It allows investment disputes to be resolved outside the Ukrainian legal system, increasing investor confidence.

"In 2019, we inserted into the law the possibility of dispute resolution in international arbitration. That was a top requirement for investors."

Type B6

Together, these three mechanisms form what Cuervo-Cazurra et al. (2019) describe as a layered institution-bridging system. Rather than relying on a single solution, investors combine contractual and organizational mechanisms to reduce institutional risk. However, these arrangements also increase transaction costs through more complex project structures, legal requirements, and relationship management. As a result, they become part of the overall cost and risk of investing, even if they are not explicitly reflected in expected financial returns.

5.2 Dimension II: Financial-Accounting Infrastructure as a Bankability Precondition

This dimension examines whether an energy project can be structured, valued, and financed. It represents the main contribution of this thesis because the role of financial reporting and accounting information in energy investment in a high-risk environment has received little empirical attention. The findings are organized around three themes: accounting readiness for investment, risk-based return assessment, and the role of blended finance.

5.2.1 Accounting Readiness for Investment

The findings support Daske et al.'s (2008; 2013), argument that IFRS adoption creates capital market benefits only when accompanied by effective enforcement and genuine reporting incentives. At the project level, respondents consistently identified three years of IFRS-compliant, externally audited financial statements as the practical

minimum requirement for obtaining financing from international financial institutions and commercial lenders.

"IFRS financial statements audited by recognized international firms are a mandatory element for attracting debt or other forms of capital."

Type A5

Large and experienced companies viewed IFRS reporting as a standard business practice rather than a challenge. This reflects what Daske et al. (2013) describe as serious adopters, where reporting standards are supported by strong internal commitment and reporting quality. Several respondents identified a long history of Big Four audits as an important competitive advantage.

"Our group has had consolidated Big Four-audited statements since 2004, twenty-two years of continuous, clean-opinion reporting. That sets us apart."

Type A2

Smaller companies faced a different situation. Respondents described IFRS reporting as a major barrier to accessing international finance, consistent with Daske et al.'s (2013) concept of label adopters, where formal compliance exists without the institutional capacity needed to support high-quality reporting.

"...very few Ukrainian companies can pass the compliance requirements to access them [IFI financing]. Because they do not operate according to international standards – they do not conduct proper audits, they potentially have non-transparent legal structures..."

Type B3

Because most projects are financed through newly established special purpose vehicles with little or no financial history, lenders rely heavily on the sponsor's reporting record as an indicator of credibility. This reflects Dixit's (2009) argument that investors develop alternative governance mechanisms when formal information is limited.

A further finding extends the existing literature. Unlike the stable market environments reviewed by Leuz and Wysocki (2016), respondents explained that conventional valuation models become difficult to apply under active conflict.

"During war, by definition, all assets are worth zero or less on standard risk models. But it would be impossible for investors to invest in Ukraine if they told Ukrainian partners that your asset is worth zero."

Type B3

Instead, investors place greater emphasis on a company's operating performance since 2022 than on conventional discounted cash flow models when assessing asset value. This represents a practical adaptation to wartime conditions and reflects the development of informal institutional knowledge within IFI due diligence while maintaining the formal reporting requirements that support investment decisions.

5.2.2 Risk-Based Return Assessment

Required returns follow a clear pattern linked to major institutional milestones, supporting the cost-of-capital mechanism described by Steffen (2020), Ameli et al. (2021).

"Currently our required IRR in Austria is approximately 5.7%, in Romania around 9%, and in Ukraine around 17%. When the war ends, that 17% will likely compress to perhaps 12%. When EU accession occurs, it may converge to 8%."

Type C1

This pattern is consistent with Peng et al. (2023), who argue that improvements in formal institutions reduce the additional risk premium investors require in weak-governance environments. Respondents described a two-stage adjustment. The end of the war is expected to reduce physical and political risks, lowering required returns. EU accession is expected to bring a further reduction by strengthening the institutional environment and moving Ukraine closer to European market conditions.

Lenders also apply stricter equity requirements when financing projects.

"The very first thing any bank looks at is the ratio of equity to debt. If equity is 15% and debt 85%, every bank will say no. If equity is 35 to 40% and only 60% is being sought in debt, then the project becomes interesting to banks."

Type C4

Respondents also emphasized the importance of revenue stress testing and downside scenario analysis, particularly because long-term electricity prices remain highly uncertain during the war. In addition, ten respondents identified the mismatch between hryvnia revenues and foreign-currency debt as a major financial risk.

5.2.3 Blended Finance Architecture

All respondents described IFI financing as essential for large energy projects in Ukraine. This extends the crowding-in mechanism proposed by Geddes et al. (2018) to an active-conflict setting and supports the structural cost-of-capital argument developed by Ameli et al. (2021). The findings show that IFIs perform four main functions.

The first is providing capital and long repayment periods, addressing the limited availability of long-term project finance in the domestic market.

"They bring more capital than Ukrainian banks can offer and provide much longer repayment tenors."

Type A1

The second is providing governance credibility. Successful due diligence by institutions such as the EBRD or IFC serves as an important signal for other investors, consistent with Dixit's (2009) argument that private actors rely on alternative governance mechanisms when formal institutions are weak.

"When any Ukrainian company goes through the verification process of EBRD or IFC, it means they have passed very serious compliance procedures."

Type B3

The third function is supporting institutional change. Respondents explained that IFI financing creates long-term commitments that remain in place even when ownership or management changes, reflecting North's (1990) view of formal rules as credibility mechanisms.

"We understood that the only way to turn that institution around was to bring in capital that would inevitably require transformation. Whoever came after us would be obliged to work within the requirements co-signed with the international financial institution."

Type A6

The fourth finding adds an important qualification. Rather than simply reducing risk for private investors, IFIs often require their own protection before participating. Respondents identified European Commission first-loss guarantees or strong project sponsors as the main conditions for IFI involvement.

"It is either that, the EC first-loss guarantee, or a very strong sponsor. Without one or the other, we cannot comfortably proceed on new Ukrainian energy projects at present."

Type B1

Respondents also highlighted two important limitations of the current financing system. First, several interviewees described a gap between announced IFI funding, and the amount in fact disbursed.

"The slide decks from major IFIs are almost identical year on year, large headline numbers. When I ask colleagues whether they have actually received any of it, the honest answer is usually no."

Type C1

Second, two independent advisory sources, with no institutional connection to one another, also argued that the more binding constraint in Ukraine is not a shortage of capital but a shortage of bankable, well-prepared projects, consistent with Attridge and Engen's (2019) critical assessment of blended finance in the most constrained contexts.

"The real shortage is not the money but the bankable projects to deploy it into."

Type B3

5.3 Dimension III: Sector Configuration and Strategic Positioning in a High-Risk Environment

This dimension addresses how segment economics, physical execution constraints, and forward-looking strategy jointly shape investment decisions. While respondents showed strong agreement on which energy segments are most attractive, they differed in how they explained these preferences.

5.3.1 Segment Attractiveness

The ranking of energy segments by investment attractiveness was the most consistent finding in the dataset after revenue certainty. All sixteen respondents identified renewable energy, particularly solar combined with battery storage and onshore wind, as the most bankable investment segment. The findings suggest that this reflects North's (1990) concept of path dependence rather than an inherent technical or financial advantage. Renewable energy attracts investment because previous projects have created proven contractual models, established reliable counterparties, and demonstrated viable investment exits.

"Investment is going into green energy, because it is a reasonably tested mechanism that works, that is understood by lenders, and where accessible credit financing is available."

Type B6

Respondents also described the original feed-in tariff (FiT) scheme as the foundation of Ukraine's private renewable energy market. It created the first successful investment model, which was later adapted through PPAs and bilateral off-take contracts.

"The Ukrainian government guaranteed, until the end of 2029, to purchase all electricity generated. In 2018 I acquired my first project."

Type C3

District heating was consistently ranked as the least attractive investment segment. North's (1990) path-dependence argument helps explain this finding. The challenge is not that district heating cannot generate returns, but that investors lack the established transactions, trusted counterparties, and proven contractual models needed to make those returns predictable.

"District heating, in my view, would be very difficult to structure as a private investment. The political environment makes that extremely difficult to navigate."

Type A1

Grid infrastructure faces a different challenge. Respondents explained that the regulated reduction in the RAB rate from approximately 16.7% to 3% has lowered

expected returns below the cost of capital, making investment financially “uninvestable” despite the sector's strategic importance.

"A RAB rate of 3% means that the payback on long-term projects becomes practically impossible. Prior to martial law, the RAB rate was 16.74%, which corresponded to WACC."

Type A5

5.3.2 Distributed Generation as Strategic Consensus

The strongest consensus across the entire dataset was the preference for distributed, small-scale generation over large-centralized power plants. All sixteen respondents shared this view across all three investor groups. Unlike the arguments typically made in stable markets, this preference was driven primarily by military considerations rather than technical or regulatory factors.

"Nobody wants to invest in a large-centralized power plant that presents a single, high-value target."

Type B1

"Not just decentralized, but decentralized and small. The smaller the generation capacity unit, the more difficult it is to target."

Type C2

Respondents consistently explained that smaller, distributed generation is more difficult to target, easier to restore, faster to build, and requires smaller individual investments. Together, these factors have created a shared investment strategy across all investor groups. The findings suggest that reconstruction financing still focused on large, centralized assets is increasingly misaligned with current market preferences.

5.3.3 Executional Barriers

The executional dimension shows constraints that extend beyond financing and institutional quality. These include supply chain disruptions, human capital shortages, and regulatory delays caused directly by the war. The most common challenge was grid connection, mentioned by eleven of the sixteen respondents.

"We have a fully operational wind farm that cannot export power because the grid connection is not ready."

Type A2

Equipment certification represents another important barrier. Respondents described the lack of certification procedures for non-Western equipment together with the reluctance of Western suppliers to provide installation and maintenance services inside Ukraine.

"The supplier delivers the equipment only to seaports abroad, not to Ukraine. The supplier takes no responsibility for delivery, storage, installation, or service maintenance."

Type A3

Respondents also described human capital shortages caused by wartime mobilization, which have significantly reduced the number of available contractors. At the same time, one wartime constraint has encouraged an important adaptation. Rather than relying on EPC contracts, respondents increasingly use multi-contract project structures. This supports North's (1990) argument that formal constraints can encourage new informal practices that continue beyond the conditions that created them.

"We chose a multi-contract rather than EPC structure. EPC is the standard abroad, and lenders prefer it. In Ukraine it is unrealistic."

Type A2

5.3.4 Strategic Positioning and EU Horizon

The strongest forward-looking finding concerns Ukraine's future EU membership. Fourteen of the sixteen respondents described EU accession as a transformative change and, for many, a necessary condition for attracting large-scale private investment.

"EU accession is a conditio sine qua non, a necessary condition for substantial private sector investment. Without it, the risk-taking and financing mechanisms of the European Union will not be available."

Type C1

The institution-based view (Peng et al., 2023) explains why EU accession is more powerful than any individual de-risking instrument. Rather than reducing

individual risks, EU accession is expected to strengthen the overall institutional environment. Respondents associated it with greater access to commercial bank financing, lower country risk, and wider access to EU funding mechanisms that IFIs alone cannot provide.

"Commercial bank financing, which is currently almost entirely absent, will become accessible. IFI financing alone cannot drive the scale of investment Ukraine needs."

Type A2

At the same time, a different perspective was offered, pointing to a potential trade-off. Faster permitting procedures, currently seen as an advantage in Ukraine, may become more time-consuming as EU regulatory requirements are introduced.

"I think EU regulation will not particularly benefit the attractiveness of implementing such projects in Ukraine. In Ukraine this can currently be done very quickly. In Europe, to build such an energy project would take years."

Type A3

The study also reveals three distinct investment strategies, each reflecting different expectations about institutional change, consistent with Peng et al. (2023). Some investors adopt a first-mover strategy, viewing current risks as a source of competitive advantage. Others follow a real-options approach by limiting early investment while preserving future opportunities. The most experienced investors adopt a long-term operational strategy, drawing on accumulated institutional knowledge to manage uncertainty.

"Throughout this entire time Ukraine has faced these disruptions. But the Ukrainian government honored its commitments: they pay, and they pay mostly on time. That encouraged us."

Type C3

The requirement for a credible local partner was confirmed without exception by all sixteen respondents. This strongly supports Peng et al.'s (2023) argument about informal institutional knowledge transfer. The local partner's role is seen less as a market-access mechanism than as an essential source of practical knowledge about Ukraine's institutional environment.

"Do not go it alone. Find a credible local partner and access proper local legal and operational advice."

Type A1

5.4 Chapter Summary

This chapter showed that investment decisions in Ukraine's wartime energy sector are shaped by the interaction of institutional conditions, financial-accounting infrastructure, and sector-specific characteristics. Rather than operating independently, these three dimensions reinforce one another and together determine whether a project is considered financeable. The next chapter discusses these findings in relation to the existing literature and highlights additional themes that emerged from the empirical analysis.

6 – Discussion of Findings

This chapter discusses the findings presented in Chapter 5 in relation to the theoretical framework developed in Chapter 2 and the contextual background presented in Chapter 3. It returns to the first three research objectives set out in Chapter 1: Section 6.1 revisits Research Objective 1, Section 6.2 revisits Research Objective 2, and Section 6.3 revisits Research Objective 3, asking in each case how far the empirical evidence confirms, extends, or departs from what existing theory would predict for investor decision-making in Ukraine's high-risk wartime energy sector. Section 6.4 draws on all three objectives together to develop the study's most critical and unexpected findings, several of which cut across dimensions and speak most directly to the institutional and financial logic that separates investors who act from those who wait. Research Objective 4, the study's practice-oriented recommendations, is developed separately in Chapter 7 and Appendix B.

6.1 Institutional Conditions: Experience, Substitution, and the Limits of Formal Governance

Research Objective 1 asked how different investor types assess and compare risk within Ukraine's institutional environment; the findings sharpen this picture in three ways. The institutional-conditions findings in Section 5.1 extend a straightforward reading of institutional theory in an important way. Institutional theory, and the aggregate quantitative work built on it, generally predicts that weak or disrupted institutional environments deter investment more or less uniformly across investor types (North, 1990; Caldara & Iacoviello, 2022; Jarret et al., 2023). The data instead show a clear difference by investor type: Ukrainian energy companies treat wartime conditions as an operating reality to be managed, while foreign stakeholders without prior experience in Ukraine treat war risk as a threshold barrier that must be cleared before any other factor is considered (*"For a foreign investor, the biggest risk is the war. For a local company, that is not a risk,"* Type A3). Existing accounts of this kind of divergence tend to invoke information asymmetry. The findings point to a different mechanism: what separates the two groups is accumulated institutional experience rather than access to information (Peng et al., 2023). Type A respondents have turned what outsiders would treat as open-ended uncertainty into a risk they can price, through repeated exposure to infrastructure attacks, payment delays, and regulatory change – a

form of tacit knowledge that cannot be substituted by better disclosure, additional due diligence, or market data. This refines Jarret et al.'s (2023) finding that institutional uncertainty depresses foreign investment more than financial-market uncertainty: the data suggest that this effect is not fixed but conditional on the investor's stock of institutional experience, which reframes the practical challenge from an information gap to a knowledge gap with corresponding implications for how reconstruction planning should support first-time entrants (e.g., through reference projects and structured market-entry partnerships, addressed further in Chapter 7).

A second, related pattern concerns how investors respond when formal institutions do not deliver predictability on their own. The removal of the feed-in tariff and its partial replacement by power purchase agreements is consistent with Dixit's (2009) argument that private actors build contractual substitutes when formal arrangements weaken. This confirms existing theory, but the data add an important boundary condition: PPAs scale poorly beyond a certain project size, since few counterparties can sustain a ten-to-sixteen-year commitment at the balance-sheet strength required. More significant is what the findings say about corruption specifically. Across all sixteen interviews, corruption was rarely described as a direct reason not to invest, despite its central role in institutional theory's usual emphasis on corruption as a primary investment barrier. The explanation that emerges from the data is structural rather than incidental. Investors do not rely on any single substitute mechanism but combine several transparent, fixed connection fees that remove administrative discretion; pilot projects that function as proof of concept for a board audience; and access to international arbitration that moves dispute resolution outside the domestic legal system. Read together, these mechanisms extend Dixit's (2009) institutional-substitution concept and Cuervo-Cazurra et al.'s (2019) institution-bridging framework from isolated tools toward what this thesis terms an institutional substitution architecture: a coordinated system in which each mechanism compensates for a specific formal-governance weakness. Bu et al.'s (2022) finding that corruption's deterrent effect is strongest during long-term asset holding rather than at market entry helps explain why this architecture appears so effective here. Most respondents were still at the development or early-operation stage, where substitution is least costly to sustain.

This has a direct implication for how the finding should be interpreted going forward. The institutional substitution architecture is best understood as transitional rather than permanent. North's (1990) account of path dependence suggests that private governance mechanisms can compensate for weak formal institutions for a time, but they are not a substitute for credible courts and enforceable property rights in the long run. The findings therefore point to a practical limit. These mechanisms that function well across a current pipeline of trusted, closely monitored projects are unlikely to remain sufficient once reconstruction investment expands well beyond what personal networks and project-specific due diligence can support. This challenge is discussed further in Chapter 7.

6.2 Financial-Accounting Infrastructure: Disclosure Quality as a Wartime Bankability Filter

Research Objective 2 examined which financial and accounting conditions shape investment decisions. The findings answer this question with greater empirical detail than the existing literature provides. As discussed in Chapter 5, the financial-accounting findings address a dimension of investment decision-making that has received little attention in conflict-affected settings. The discussion below shows why this dimension should be considered a distinct theoretical contribution rather than a background condition alongside institutional factors and sector characteristics.

At the most basic level, the findings confirm Daske et al.'s (2008; 2013) argument that IFRS adoption produces capital-market benefits only where it is backed by genuine reporting incentives rather than formal compliance alone. Respondents consistently identified three years of IFRS-compliant, externally audited financial statements as the practical minimum for accessing international finance. The findings also closely reflect Daske et al.'s (2013) distinction between "serious" and "label" adopters. Companies with a long history of audited reporting viewed financial reporting as a competitive advantage (*"twenty-two years of continuous, clean-opinion reporting... that sets us apart,"* Type A2), while smaller firms without such a track record often struggled to access IFI or commercial financing (Type B3). The findings also explain why reporting history matters at the project level. Since most projects are financed through newly established special purpose vehicles with no financial history, lenders rely on the sponsor's audited track record instead. This extends Dixit's (2009)

institutional substitution logic into the accounting domain. Rather than only reducing information asymmetry (Lambert, Leuz & Verrecchia, 2007), reporting history becomes a credibility signal that substitutes for a project track record that does not yet exist.

A second finding extends the existing literature. Leuz and Wysocki (2016) describe disclosure quality as supporting conventional valuation under normal market conditions. Under active conflict, however, respondents reported that discounted cash flow models become largely unusable because standard risk models value war-exposed assets at or close to zero (*"it would be impossible for investors to invest in Ukraine if they told Ukrainian partners that your asset is worth zero,"* Type B3). Instead of simply increasing discount rates, investors adopt a different valuation approach based on a company's operating performance since 2022 rather than projected cash flows. This suggests a boundary condition for the disclosure-quality literature. Under prolonged uncertainty, high-quality financial information does not simply improve conventional valuation but supports an alternative valuation approach when standard models no longer work.

The remaining findings in this dimension confirm existing theory while adding greater empirical detail. The milestone-based decline in required returns reported by respondents – from around 17 percent during the war, to approximately 12 percent after the war, and to around 8 percent following EU accession – illustrates the institutional risk-premium mechanism described by Peng et al. (2023) and the cost-of-capital arguments of Steffen (2020) and Ameli et al. (2021). Likewise, the findings confirm the crowding-in role of IFIs described by Geddes et al. (2018), while also supporting Attridge and Engen's (2019) more critical perspective. Several respondents, independently of one another, argued that the main constraint is not the availability of capital but the shortage of bankable, well-prepared projects (*"the real shortage is not the money but the bankable projects to deploy it into,"* Type B3). This finding qualifies the expected impact of blended finance alone and is discussed further in Chapter 7.

6.3 Sector Configuration: Path Dependence and Strategic Repositioning Under Conflict

Research Objective 3 examined whether certain energy segments are perceived as more investable than others. The findings suggest that segment attractiveness is

shaped by established investment precedents, which help explain why some sectors consistently attract capital while others struggle to do so. The findings in Section 5.3 extend North's (1990) concept of path dependence in a way the energy finance literature has not fully explored. Existing studies explain the concentration of private capital in renewable energy mainly through lower financing costs and IFI crowding-in (Geddes et al., 2018; Polzin et al., 2019). The findings suggest that both depend on a prior condition: renewable energy attracts investment because it already has proven transaction models, trusted counterparties, and successful investment examples. District heating and grid infrastructure, by contrast, lack similar precedents despite their importance for reconstruction. In other words, investment follows established pathways rather than reconstruction need. The findings also extend Binetti's (2022) argument on sectoral sequencing. Pilot projects matter not only because they demonstrate technical or financial feasibility, but because each successful project creates a precedent that makes future investments easier to finance. This creates a cumulative, path-dependent investment process.

A second finding goes beyond the institutional theory applied elsewhere in the thesis and is discussed further in the final theoretical contribution. Respondents from all three investor groups consistently preferred small, distributed generation over large, centralized plants. While the existing literature mainly explains generation choices through costs and regulation, respondents identified physical security as the decisive factor. Smaller, distributed assets are harder to target and quicker to restore. This suggests that in a high-risk environment, physical vulnerability becomes an additional constraint on investment decisions alongside governance and financial reporting considerations.

Finally, the findings on EU accession and investor positioning strongly support the institution-based view (Peng et al., 2023). Respondents viewed EU accession not as one de-risking instrument among many, but as a structural change in the institutional environment that would unlock commercial bank financing beyond what IFIs alone can provide. The three investment strategies identified in the data – first mover, real option, and long-term operational commitment – reflect different expectations about the timing of this institutional change. The near-universal emphasis on a credible local partner also reinforces the experience-based understanding of institutional knowledge developed in Section 6.1. Respondents valued local partners less for market access than for their

practical knowledge of Ukraine's institutional environment, knowledge that cannot easily be transferred to outside investors (Peng et al., 2023).

6.4 The Most Critical and Unexpected Findings

Read together, Sections 6.1 to 6.3 show a broadly coherent picture: investors substitute experience and relationships for missing formal guarantees, accounting infrastructure operates as a bridging and, at the extreme, a replacement valuation mechanism, and capital follows precedent rather than need. Five findings, however, depart from this picture sharply enough to warrant discussion in their own right, either because they contradict what the literature would predict outright or because they reveal a mechanism the existing framework does not anticipate at all. Taken together, they represent the clearest empirical answer this study offers to the question of how institutional and financial-accounting conditions interact under active conflict specifically, as opposed to high-risk conditions more generally.

The interviews revealed five such findings. Each section compares the empirical evidence with the expectations developed in Chapter 2 and discusses the implications for the study's analytical framework.

6.4.1 IFI Compliance as an Investment Barrier

The theoretical prediction of Polzin et al. (2019) and Geddes et al. (2018) is that IFI participation reduces investment risk and should therefore be attractive to experienced and well-governed project sponsors. Their framework assumes that the additional environmental and social requirements attached to IFI financing represent a manageable cost in exchange for better financing conditions. The interview data challenge this assumption.

A respondent from a company with extensive experience in international financial reporting and external audits explained that a recent project was financed through a Ukrainian commercial bank rather than an IFI specifically to avoid environmental and social compliance requirements:

"We chose Ukrainian bank financing precisely because the environmental expectations of international players introduce significant uncertainty."

Type A1

A second respondent, despite extensive experience working with IFIs, described the compliance burden as far greater than expected.

"To obtain financing for one project, we produce not hundreds but thousands of pages of plans, reports, monitoring logs... Our environmental and social compliance team is almost as large as our engineering team."

Type A2

"I was once a genuine believer in these frameworks. After three years of implementing them, I have lost that faith entirely."

Type A2

The theoretical implications are direct. They extend the institution-bridging framework developed by Cuervo-Cazurra et al. (2019). While institutional safeguards generally improve investment conditions, the findings suggest that their benefits have practical limits. For experienced sponsors with access to domestic financing, compliance costs may outweigh the advantages of IFI capital. This suggests that environmental and social requirements could be better aligned with project size and sponsor capability. Otherwise, IFIs risk discouraging the very companies that are best positioned to deliver high-quality projects.

6.4.2 ENTSO-E Synchronization as Institutional Change

Streeck and Thelen (2005) argue that formal institutional reforms usually progress more quickly than changes in informal practices, creating a period of institutional layering. The interview data identify an unexpected extension of this argument. In Ukraine, one important institutional reform was not delayed by the war but significantly accelerated. The synchronization of Ukraine's electricity system with the Continental European ENTSO-E network, originally planned as a multi-year process, was completed within months after the full-scale invasion:

"This integration is, in my view, already irreversible. It is a remarkable technical and organizational achievement."

Type C2

" Within approximately three months of the invasion, the connection to the continental European grid was completed."

Type C2

This finding contrasts with most other institutional developments identified in this study. Respondents consistently described delays or setbacks in areas such as tariff regulation, the RAB framework, and long-term energy policy. ENTSO-E synchronization was the notable exception, where conflict accelerated rather than slowed institutional change.

The interviews suggest that this outcome was possible because the technical preparation had already been completed before the war. What changed was the political context. The invasion transformed grid synchronization from a long-term policy objective into an immediate security priority. This is consistent with North's (1990) argument that formal institutional change depends not only on technical capacity but also on political commitment. In this case, the war created the political momentum needed to complete a reform that had already been technically feasible.

A second important finding is that respondents viewed the synchronization as effectively irreversible. Unlike many formal reforms that remain vulnerable to weak implementation, ENTSO-E integration is now embedded in the physical operation of Ukraine's electricity system. This suggests an extension of Streeck and Thelen's (2005) concept of institutional layering. Under specific conditions, high-risk environments can accelerate formal institutional change and create lasting institutional integration rather than delay it. The findings indicate that this is most likely when technical capacity already exists and the main remaining barrier is political rather than technical or regulatory.

6.4.3 An Unexpected Change in Market Competition

Most research and policy discussions argue that the war has weakened Ukraine's institutional environment for investors. The interview data present a more nuanced picture. One respondent with extensive experience in IFI lending and the Ukrainian

market argued that the war has also removed an important informal barrier to investment:

"Those barriers were associated with a certain oligopolistic position held by one large investor. No one wanted to grow, because they felt they would be suffocated if they expanded too visibly."

Type B4

According to the respondent, the disappearance of a dominant market player has reduced an important obstacle for new investors. This finding is consistent with Boddewyn and Peng's (2021) argument that informal institutions can undermine formal competition rules. In this case, the removal of an informal barrier has improved market access without changing the formal institutional framework.

Rather than uniformly weakening Ukraine's institutional environment, the war appears to have reshaped it. Some institutional conditions have become less supportive of investment, while others have unexpectedly improved. This suggests that institutional change is uneven and should be examined by institution type rather than through an overall assessment of institutional quality.

6.4.4 IFI Compliance as Governance Credibility Signal

The literature generally describes IFIs as providers of financing, longer repayment periods, and risk mitigation (Geddes et al., 2018; Polzin et al., 2019). The interview data identify an additional function: IFI involvement also serves as a signal of governance quality, even when the institution does not directly finance a project:

"... a major fuel retail and energy group has benefited from years of working with several international financial institutions – that history of institutional partnership is a competitive advantage."

Type B2

"... companies that had representatives from international financial institutions on their boards found that this co-ownership structure provided a degree of protection against hostile pressures ..."

Type B2

These findings suggest that IFI participation provides more than financial support. It also strengthens a company's credibility and offers a degree of protection against informal pressures. This extends the institution-bridging framework developed by Cuervo-Cazurra et al. (2019). IFI involvement functions as an organizational mechanism that compensates for weaknesses in formal property rights enforcement, while also reducing the risks created by the informal institutions described by Boddewyn and Peng (2021).

6.4.5 Capital Controls: A Double-Edged Effect

The reconstruction literature generally presents wartime capital repatriation controls as a barrier to investment. The interview data confirm this effect for foreign investors:

"... the central bank prohibited the realization of external loan agreements and the payment of dividends abroad. Money sits inside the country, but obligations and commitments outside the country continue."

Type C3

At the same time, two independent respondents identified an unexpected effect. Because domestic companies cannot easily move profits abroad, many choose to reinvest them within Ukraine instead:

"... local companies investing: they have profits trapped in Ukraine by currency controls anyway, so reinvesting domestically makes sense."

Type B5

The findings therefore suggest that capital controls have a dual effect. They discourage new foreign investment by limiting investors' ability to repatriate capital, while encouraging domestic reinvestment by reducing opportunities to move profits abroad. This reflects North's (1990) argument that formal rules often produce unintended consequences. Although the controls were introduced to prevent capital flight, they have also increased incentives for domestic investment.

Two findings deserve particular emphasis. First, IFI participation is not simply a risk-reduction mechanism, as commonly described in the literature (Polzin et al.,

2019; Geddes et al., 2018). Instead, it plays a dual role: for sponsors with access to domestic financing, compliance requirements may outweigh the benefits, while for others they serve as a valuable signal of credibility. This finding highlights the central conclusion of the thesis: institutional and financial-accounting conditions influence investment decisions differently depending on the investor's experience, capabilities, and position.

The next chapter discusses the practical implications of these findings for local developers, international financial institutions, foreign investors, and policymakers, before outlining the study's limitations and concluding its overall contribution.

7 – Conclusion

This chapter discusses the findings presented in Chapters 5 and 6 in relation to the theoretical framework developed in Chapter 2. It outlines three theoretical contributions that address the research gaps identified in Section 2.5, compares the results with the research objective of this study, and considers their implications for policy and practice. The chapter concludes by discussing the study's limitations and opportunities for future research.

7.1 Concluding Remarks

This thesis examined how institutional and financial-accounting factors shape investment decisions for energy projects in a high-risk environment of Ukraine. It addressed four objectives: understanding how different investor groups assess risk, identifying the financial and accounting conditions that determine project financeability, explaining why some energy segments attract investment more readily than others, and developing practical guidance for investors involved in Ukraine's energy reconstruction.

The findings show that investment decisions are shaped by the interaction of institutional conditions, financial structures, and investor experience rather than by war risk alone. Ukrainian energy companies, international financial institutions, and commercial investors assess the same environment differently, reflecting differences in institutional knowledge, mandates, and risk tolerance. Financial reporting quality, credible governance, and blended finance emerged as essential conditions for attracting capital, while renewable energy benefits from established investment precedents that other energy segments have yet to develop.

The study contributes to institutional theory by extending it to an active-conflict setting. It shows that investors rely on a coordinated architecture of institutional substitutes to compensate for weak formal institutions, that investment decisions are shaped by conflict-conditioned institutional knowledge, and that investment concentrates in sectors with established precedents rather than necessarily those with the greatest reconstruction need. At the same time, these mechanisms are unlikely to provide a permanent solution, highlighting the continued importance of institutional reform alongside financial support.

Beyond its theoretical contribution, this study provides practical guidance for those involved in Ukraine's energy reconstruction. The findings show that attracting private capital is not only a question of finance, but also of institutions, trust, and experience. While institutional substitutes can support investment today, lasting reconstruction will ultimately depend on stronger formal institutions that allow private investment to become the norm rather than the exception.

7.2 Theoretical Contribution 1: Investor Experience and Risk Perception

One of the central findings of this study is that investors do not perceive wartime risk in the same way. Ukrainian energy companies (Type A) generally view the war as an operating condition that can be managed, while foreign stakeholders (Type C) often see it as a barrier to investment. Existing research largely explains such differences through information asymmetry. The findings of this study suggest a different explanation: the difference is primarily driven by experience rather than information.

Peng et al. (2023) describe informal institutional knowledge as the experience firms gain from operating within a country's formal and informal institutions. The findings extend this argument by showing that, under active conflict, this knowledge is shaped by direct experience rather than simply by market presence. Type A respondents have built their risk assessments through repeated experience with wartime conditions, including infrastructure attacks, payment delays, and regulatory changes. This practical knowledge cannot be transferred through financial reporting, due diligence, or additional information alone.

The findings therefore suggest a refinement of existing institutional theory. In active-conflict environments, the impact of geopolitical risk (Caldara & Iacoviello, 2022; Thakur-Wernz et al., 2024) depends not only on the level of risk itself but also on investors' accumulated institutional experience. The main challenge is therefore not simply an information gap but a knowledge gap.

This distinction has practical implications. Improving information for foreign investors through better disclosure, market data, or government communication remains important, but it is unlikely to be sufficient. Respondents instead highlighted the importance of practical experience gained through successful reference projects,

cooperation with experienced local partners, and structured market entry programs that allow investors to build institutional knowledge more quickly.

Yi et al. (2019) show that as investment moves from entry to long-term operational commitment, investors become increasingly locked in and thus more exposed to the effects of weak informal institutions. The findings indicate that this dynamic should also be considered in reconstruction planning. Mechanisms that support investment during the early stages of reconstruction may become less effective as projects mature and long-term operational challenges become more important.

7.3 Theoretical Contribution 2: Institutional Substitution Architecture

One of the most unexpected findings of this study is that corruption was rarely described as a direct barrier to investment. Across all sixteen interviews, respondents consistently explained that investors manage institutional weaknesses through established investment practices rather than treating them as reasons not to invest.

This finding builds on Dixit's (2009) concept of institutional substitution and Cuervo-Cazurra et al.'s (2019) institution-bridging strategies. The findings show that investors rarely rely on a single substitute. Instead, they combine several complementary mechanisms, including careful counterparty selection, Know Your Customer (KYC) procedures, trusted local partners, IFI participation, international arbitration, and established business relationships, into what this thesis describes as an institutional substitution architecture. Together, these mechanisms enable investment despite weaknesses in the formal institutional environment.

Importantly, the findings do not suggest that corruption has disappeared or become irrelevant. Rather, experienced investors have developed practical ways to reduce their exposure to institutional weaknesses. In this sense, corruption becomes a manageable operational risk rather than a primary investment barrier.

Bu et al. (2022) provide an important qualification. Their research shows that corruption has its strongest deterrent effect during long-term investment rather than at the market-entry stage. The findings are consistent with this prediction, as most respondents were involved in project development or early operation rather than long-term asset management. The effectiveness of institutional substitution therefore appears to depend partly on the stage of investment.

The findings also suggest that this architecture has practical limits. At the current scale of reconstruction, trusted networks, careful due diligence, and close monitoring remain feasible. As reconstruction expands, however, these mechanisms are likely to become more difficult and costly to maintain across a growing number of projects. The institutional substitution architecture therefore appears to be effective under current conditions but unlikely to remain sufficient as investment volumes increase.

This extends institutional theory in two ways. First, it shows that institutional substitution operates as a coordinated system of complementary mechanisms rather than as isolated governance tools. Second, it suggests that this architecture is transitional rather than permanent. Consistent with North's (1990) argument on path dependence, private governance mechanisms can compensate for weak formal institutions for a period of time, but they cannot replace effective courts, credible contract enforcement, and strong anti-corruption institutions indefinitely. Long-term reconstruction therefore depends not only on mobilizing investment but also on strengthening the formal institutional environment that will eventually reduce the need for institutional substitution itself.

7.4 Theoretical Contribution 3: Path Dependence in Energy Investment

The energy finance literature explains the concentration of private investment in renewable energy largely through lower financing costs and the crowding-in effect of IFI participation (Geddes et al., 2018; Polzin et al., 2019). The findings of this study reveal an additional explanation. Investment concentrates in renewable energy not only because financing conditions are more favorable, but because the sector already has proven investment roadmaps that investors understand and trust.

This finding extends North's (1990) concept of path dependence. The interview data suggest that investment follows established transaction models rather than moving automatically toward the sectors with the greatest reconstruction need. Renewable energy benefits from completed projects, experienced counterparties, and contractual structures that have already been tested. By contrast, sectors such as district heating and grid infrastructure remain less attractive because comparable investment roadmaps have not yet been established.

The findings therefore suggest that the main barrier is not simply the availability of financial instruments. It is the absence of the institutional foundations that allow those instruments to be applied with confidence. Respondents repeatedly referred to the importance of successful projects, trusted counterparties, and proven contractual arrangements when explaining why investment continues to flow to certain segments.

This interpretation also extends Binetti's (2022) argument on sectoral sequencing. The findings indicate that pilot projects play a broader role than simply demonstrating technical or financial feasibility. They also create the institutional conditions that allow private investment to expand. The policy implication is that reconstruction strategies should view pilot projects as investments in institutional capacity as well as physical infrastructure. By creating successful reference transactions, they can establish the investment roadmaps needed to mobilize private capital in sectors that currently remain underfinanced.

7.5 Practical and Policy Implications

7.5.1 Implications for Local Developers

The findings suggest that financing readiness depends as much on governance and reporting quality as on project economics. Companies seeking IFI or international bank financing should prioritize building a consistent IFRS reporting track record, transparent governance structures, and credible audit practices. Experienced operators benefit from established relationships with lenders and increasingly serve as credibility signals for partners and co-investors.

Companies should also recognize the trade-off between domestic and IFI financing. While domestic banks may offer a simpler process, IFI financing provides longer tenors, stronger governance credibility, and better access to future investors. Finally, developers entering less mature segments, such as district heating or grid infrastructure, should consider demonstration projects and IFI partnerships to establish investment precedents that can attract follow-on capital.

7.5.2 Implications for IFIs and Multilateral Organizations

The findings indicate that IFIs play a broader role than providing finance alone. Beyond capital, they offer governance credibility, market confidence, and institutional certification that help attract private investors.

Respondents also identified three areas for improvement: reducing the gap between announced and disbursed financing, adapting environmental and social requirements to project scale and sponsor maturity, and expanding project preparation support. Across interviews, the main constraint was not a lack of available capital but a shortage of well-prepared, bankable projects.

7.5.3 Implications for Foreign Investor Market Entry

For foreign investors, the findings suggest that successful market entry depends less on access to information than on gaining institutional experience. Initial investments should therefore prioritize learning, trusted local partnerships, and relationship building rather than short-term returns alone.

Renewable energy, particularly solar combined with battery storage, currently offers the most established investment environment. Investors entering less mature segments should expect greater structuring complexity and limited market precedents. A long-term investment horizon is also essential, as respondents expect financing conditions to improve significantly after the war and with future EU accession.

7.5.4 Implications for Policymakers and Reconstruction Planners

For policymakers, the findings highlight the importance of a stable and predictable investment environment. Publishing a long-term energy strategy, gradually restoring investment conditions for regulated infrastructure, and strengthening formal institutions would improve investor confidence beyond individual financial incentives.

The findings also suggest that reconstruction should follow a staged approach. Renewable energy can be scaled through improved financial instruments, while sectors such as district heating and grid infrastructure first require successful pilot projects that establish credible investment precedents. The Ukraine Renewable Energy Risk Mitigation Mechanism (URMM), launched by the EBRD, the European Commission, and international partners at the Ukraine Recovery Conference in Rome in July 2025,

illustrates this approach by directly addressing the revenue certainty that respondents consistently identified as the main barrier to project bankability, with first auctions under the mechanism launching in 2026 (EBRD, 2025; Interfax-Ukraine, 2026). However, scaling similar mechanisms across a broader range of projects will be essential to mobilize private capital at the level required for Ukraine's reconstruction.

7.6 Limitations

The study faces several limitations that should be acknowledged.

First, the findings are based on sixteen semi-structured interviews. While this sample was sufficient to achieve theoretical saturation (Guest et al., 2006; Hennink & Kaiser, 2022), the results are analytically rather than statistically generalizable and should not be interpreted as representing all investors active in Ukraine's energy sector.

Second, the study captures investor perspectives at a particular stage of an ongoing war. As institutional conditions, financial instruments, and reconstruction policies continue to evolve, the findings should be interpreted within the April-June 2026 data collection period. The first auctions under the URMM, addressing the offtake certainty barrier identified throughout this study, entered preparation during this same window. Although introduced at the end of the data collection period, it supports the relevance of the findings.

Third, the analysis is based on participants' perspectives and is shaped by commercial confidentiality. Some respondents could not discuss specific financial information or disclosure practices in detail, limiting the depth of the accounting-related findings.

7.7 Directions for Future Research

The findings of this study identify several directions for future research that would extend the theoretical contributions developed above.

1. Longitudinal investor behavior. Future research could follow investors over time to examine how risk perceptions and investment decisions evolve as projects move from development to long-term operation. This would help assess whether the institutional substitution architecture identified in this study remains effective as investment commitments deepen.

2. Institutional perspectives. This study reflects the views of investors, international financial institutions, advisors and foreign stakeholders. Including policymakers, energy regulators, and EU reconstruction planners would provide a more comprehensive understanding of how policy intentions align with investor experience.

3. Central European investors. A dedicated study of Austrian and comparison across Central European investors could explore whether regional proximity, existing banking relationships, and shared regulatory frameworks influence investment decisions in Ukraine.

4. Community energy models. Respondents consistently favored distributed generation, yet community energy models remain largely unexplored in the Ukrainian context. Future research could examine their potential role in supporting energy reconstruction and local investment.

5. First-mover investment strategies. Several respondents expected assets acquired before Ukraine's future EU accession to gain value as institutional conditions improve. Future research could test this expectation by examining post-accession investment outcomes in comparable Central and Eastern European countries and assessing their relevance for Ukraine.

The directions outlined above are not comprehensive, nor could they be. The findings presented in this thesis reflect the institutional and investment environment between April and June 2026, during which Ukraine's energy sector continued to evolve through new financing mechanisms, policy initiatives, and institutional reforms. As a result, the findings should be interpreted as a snapshot of an ongoing institutional and market transformation rather than a definitive description of Ukraine's energy sector.

More broadly, this thesis highlights the central role of energy in Ukraine's reconstruction. Energy is often regarded as one infrastructure sector among many, but it is the foundation that enables all others to function. Reliable electricity and heating are essential not only for economic recovery but also for healthcare, education, public services, and everyday life. In this sense, investment in Ukraine's energy sector is an investment in the conditions that make reconstruction possible. For that reason, this topic will remain important long after the immediate challenges of the war have passed.

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Appendices

Appendix A – Interview Guide

TYPE A Local Energy Companies	TYPE B International Financial Institutions	TYPE C Commercial Banks/Funds/ Foreign Stakeholders
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Research Question	How do institutional and financial-accounting factors shape stakeholders' decision-making for energy projects in Ukraine under high-risk conditions?
Format	Semi-structured expert interview approx. 60-75 minutes
Language	English, German or Ukrainian
Recording	Audio-record with interviewee's consent
Sampling	Purposive; 16 experts across three stakeholder types

SECTION 0. RESPONDENT PROFILE

This section collects basic background information (type, sector, experience, geography) to contextualize and later compare interviewee responses. It is not part of the recorded interview and will be used for classification purposes only.

Investor / stakeholder type	☐ Type A - Local energy company ☐ Type B - International Financial Institution ☐ Type C - Foreign stakeholder
Organization type	☐ State-owned ☐ Private ☐ International
Primary energy segment focus	☐ Renewables ☐ Conventional generation ☐ Grid/transmission ☐ Heating/efficiency ☐ Cross-sectoral
Years of experience in Ukrainian energy/infrastructure	_____
Geographic base of operations	_____

SECTION 1. RISK PERCEPTION AND ASSESSMENT

This section explores how specific risks of Ukrainian energy projects are being identified, prioritized and responded by the respondent.

Q0. From your perspective, how would you briefly describe the current situation for energy projects in or for Ukraine?

Q1. When you evaluate an energy project in Ukraine today, how do you assess risk, and how has this changed since 2022?

Probe: *e.g. main risk categories (geopolitical / military risk, regulatory, counterparty, macro-financial risk (FX, inflation, sovereign)); changes vs pre-war; use of quantitative models (e.g. scenario analysis, Monte Carlo) vs qualitative judgment; handling model uncertainty.*

Specific to: Type A – Local Energy Companies

Q2. As a local energy company, beyond financial returns and risk, what other factors - if any - influence your investment decisions?

Probe I: *How do you weigh reputational or strategic considerations (e.g. national reconstruction mission) against pure financial risk-return calculus when committing to new projects?*

Probe II: *If available, as a state-owned enterprise do you face special mandate-driven pressures different from private companies?*

Specific to: Type B – IFIs

Q3. Which de-risking instruments (e.g. MIGA guarantees, EBRD first-loss tranches) are most effective today in mobilizing private capital for Ukrainian energy projects, and where do you still see major gaps?

Probe: *Do you find existing instruments sufficient for grid/heating projects vs. renewables?*

Specific to: Type C – Foreign Stakeholders

Q4. What minimum credit-enhancement or risk-allocation conditions must be met for your institution to consider financing a Ukrainian energy project?
(e.g. sovereign or IFI guarantee requirements, political-risk insurance requirements)

SECTION 2. INSTITUTIONAL AND REGULATORY ENVIRONMENT

This section examines how formal and informal institutional arrangements - regulatory frameworks, governance quality, and counterparty credibility - affect project selection and deal structuring.

Q5. How do you assess the credibility and stability of Ukraine's energy regulatory framework (NEURC) for project planning purposes?
(e.g. predictability of tariff-setting and feed-in premium schemes)

Q6. Which governance or anti-corruption dimensions of a Ukrainian counterparty most directly affect your willingness to invest or lend?
(e.g. ownership transparency and beneficial ownership registers, track record with IFIs and international auditors, ESG or corporate governance ratings)

Q7. How does the wartime rule-of-law environment - for example, martial law provisions, court functioning, property rights enforcement - affect your contract design or exit strategy for Ukrainian energy projects?

Q8. In your experience, which energy sub-sectors in Ukraine (renewables, conventional thermal, grid/transmission, district heating/efficiency) currently offer the most defensible institutional environment for private investors?

Probe: *How could EU accession and international programs potentially impact these segments?*

(e.g. REPowerEU, EBRD Green Cities)

Specific to: Type B – IFIs

Q9. From a program or mandate perspective, how do you balance supporting institutional reform in Ukraine’s energy sector with managing your own risk exposure?

SECTION 3. FINANCIAL-ACCOUNTING FACTORS AND DISCLOSURE QUALITY

This section focuses on how accounting disclosure quality, financial statement reliability, and valuation practices shape investor decisions in the Ukrainian energy context.

Q10. How important are financial reporting quality and disclosure (e.g. IFRS compliance, audit quality) when you evaluate Ukrainian energy projects?

Probe: How do you treat qualified audit opinions or going-concern notes under wartime conditions?

Q11. What financial metrics and valuation approaches are most critical in your analysis, and how do you adapt them to conflict-related uncertainty and limited market data?

(e.g. EBITDA / DSCR normalization for wartime revenue disruption)

Specific to: Type A – Local Energy Companies

Q12. How do your financial reporting and disclosure practices influence investor or lender willingness to engage, and have you adapted them to attract international capital?

Probe: Have you made specific changes to disclosure practices to attract international capital?

Specific to: Type B – IFIs

Q13. In due diligence, how do you verify the reliability of financial information when audit and business continuity are constrained by the conflict? *(e.g. involvement of independent technical advisors, forensic accounting, or alternative data sources)*

Specific to: Type C – Foreign Stakeholders

Q14. What accounting or reporting requirements do you typically include as covenants or conditions precedent in financing agreements for Ukrainian energy

projects?
(e.g. frequency and scope of periodic financial reporting)

SECTION 4. PROJECT STRUCTURES AND FINANCIAL INSTRUMENTS

This section examines the contractual, financial, and structural conditions that increase - or inhibit - investment readiness in Ukrainian energy projects.

Q15. Which contract structures or risk-allocation mechanisms have you found most effective in making Ukrainian energy projects financeable?

Q16. What role do co-financing structures and labeled instruments (e.g. green bonds, sustainability-linked loans, EU-taxonomy-aligned products) play in your Ukraine strategy, and what main barriers or obstacles limit their use in practice?

Probe: *What specific challenges does EU taxonomy alignment pose given wartime ESG reporting constraints?*

Specific to: Type A – Local Energy Companies

Q17. When seeking financing, which elements of your project structure or financial package have been most persuasive to international investors, and where have you encountered resistance?

SECTION 5. ENERGY SEGMENT ATTRACTIVENESS AND RESILIENCE

This section explores comparative perceptions of investment attractiveness across Ukraine's energy sub-sectors.

Q18. Across renewables, conventional generation, grid/transmission, and district heating/efficiency, which segments do you see as most/least attractive today, and how has the war shifted your priorities?

Q19. How do you assess the investment case for decentralized energy solutions (rooftop solar, microgrids, storage) compared to large-scale centralized assets?

Probe: *Explore scalability of financing structures for smaller, distributed project(s).*

SECTION 6. FORWARD-LOOKING: RECONSTRUCTION AND REFORM

This section focuses on conditions for expanded private investment and practice-oriented insights for foreign investors.

Q20. How do you see EU accession and integration into the European energy system affecting the long-term attractiveness of Ukraine's energy sector?

(e.g., Accounting Directive, CSRD, EU Taxonomy, export potential of renewables to the EU, or green hydrogen opportunities)

Specific to: Type A – Local Energy Companies

Q21. What practical advice would you give a foreign company - for example, a foreign infrastructure investor or project developer - considering its first energy investment in Ukraine?

(e.g. due diligence priorities specific to wartime Ukraine, choice of partners, typical financing approaches)

SECTION 7. CLOSING

Q22. Is there any dimension of investor decision-making in Ukrainian energy projects - institutional, financial, or strategic - that we have not covered and that you consider particularly important? Would you be able to suggest one or two other experts whose perspective would complement yours?

Q23. Would you be willing to review a brief summary of this interview for accuracy before the thesis is submitted? If yes, please provide a preferred contact method
(Note: Contact details to be collected separately)

Appendix B – Investment Guide

De-risking and Powering-Up the Rebuild

A Starting Guide for Energy Investors in Ukraine

Notwithstanding the multitude of challenges, investing in Ukraine's energy sector today is becoming easier to navigate. Government priorities are clearer, financing opportunities continue to expand and deepen, and investors already active in the market have demonstrated how risks during wartime can be managed in practice. This guide combines the latest policy developments, available financing instruments, and the practical experience of active market participants into one concise starting point.

Where the sector is headed

War has cut Ukraine's power generation roughly in half since 2022 (*IEA, 2025*). Rebuilding the energy sector represents one of the largest reconstruction needs within a total reconstruction bill of USD 587.7 billion over the next decade as per the Fifth Rapid Damage and Needs Assessment, updated by the World Bank, the EU, the UN, and the Government of Ukraine in February 2026. (*World Bank Group et al., 2026*).

The country's Ministry of Energy is not planning a return to what existed before, when Ukraine's grid ran primarily on nuclear power (~54% of generation) and coal and gas (~32%), with renewables contributing roughly only 10% (*IEA, 2025; CEPA, 2025*). Instead, the Ministry of Energy's 54 GW strategy presented at the June 2026 Ukraine Recovery Conference in Gdańsk redesigns that model entirely: 50% nuclear, 30% renewables, and 20% new gas and modernized heat – reflecting the central role of combined heat-and-power plants – as shown on the Figure A, eliminating coal, tripling the renewables share, and replacing fossil baseload with flexible generation (*Interfax-Ukraine, 2026*).

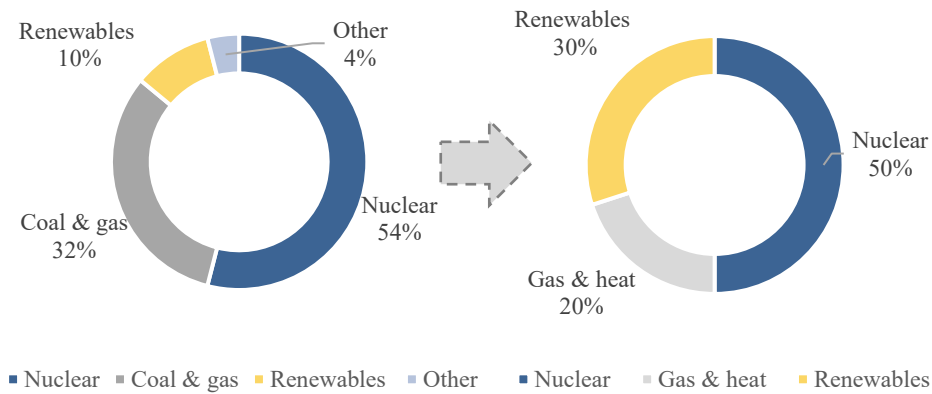


Figure A Ukraine's energy generation mix: pre-war baseline vs. 2035 strategic target
Source: own illustration, based on IEA (2025); CEPA (2025); Interfax-Ukraine (2026)

Three ideas serve as driving factors behind this ambition: 1) resilience through small, distributed clusters that can keep generating power if the central grid is hit; 2) security as a core design principle rather than an afterthought; 3) and closer integration with Europe by expanding cross-border ENTSO-E interconnection to 4.5 GW. For investors, the strategy provides a clear indication that Ukraine's energy sector is already moving – and intends to move – forward. Government priorities, expanding financing mechanisms, and ongoing market development are creating conditions that increasingly support private investment.

Lessons from the experience

Sixteen experts from Ukrainian energy companies, IFIs, and commercial investors gave sixteen sets of different answers about what convinced them, even with their worries. Despite those differences, the same practical lessons and themes appeared again and again. These are not lessons you learn from reports or via market analysis, but from actually developing, financing, and operating projects in Ukraine. They do not – by themselves – make the market easy, but they facilitate it to be far more understandable.

War is being priced, not ignored. Developers and financiers already active in Ukraine have not shied away from recognizing that there is a war. Instead, they have confronted it and they have learned how to assess and manage it as part of doing business. As one respondent put it:

"We no longer treat the war as force majeure. It has effectively become normal business."

This shift comes from more than four years of operating experience in a high-risk environment. For newcomers, the biggest challenge is often perception rather than reality, and that gap usually narrows (often significantly) after speaking with people already active in the market.

Corruption is not as widespread as often perceived by an outsider and is far less significant than many expected. While this aspect still does exist in some respects, across the interviews, respondents described it as a manageable transaction risk rather than a defining feature of investing in Ukraine. Local companies reduce the risk by carefully choosing with whom they work:

"The entities we deal with are, for the most part, all private... we do not encounter it directly."

International financiers rely on KYC procedures and due diligence, while commercial investors place strong emphasis on the reputation of their partners. Different approaches led to the same conclusion: corruption is not as common as one often perceives it to be, and it is a risk that can be managed, not a reason to stay away.

Traditional financial models do not always reflect wartime reality. As one financier explained:

"... during war, by definition, all assets are worth zero or less on standard risk models... there are already track records showing how everything still operates."

In practice, projects continue to generate revenue even when conventional models suggest they should not. The lesson is not to ignore financial analysis, but to already agree on valuation assumptions with lenders and other project stakeholders before financing discussions begin and continue to revisit them as the deal structure evolves.

One successful project is worth more than extensive analysis. Several respondents emphasized that completing a first investment makes future decisions much easier. As one investor explained:

"If a pilot works, it is easier to demonstrate to your board that entry into Ukraine is possible."

A successful first project often does more to build confidence than months of additional market research.

Smaller projects are more resilient. Rather than running after large, centralized assets, many respondents considered distributed power generation the more attractive option. As one developer noted:

"Nobody wants to invest in a large centralized power plant that presents a single, high value target."

Smaller and more distributed projects are often seen as a practical response to wartime conditions while also supporting a more resilient energy system.

Do not go it alone. This was the only recommendation shared by every respondent, regardless of whether they represented a developer/investor, bank, or international financial institution:

"Do not go it alone. Find a credible local partner and access proper local legal/regulatory and operational advice."

Everything else becomes significantly easier once the right local partner is in place.

Together, these lessons do not remove the risks of investing in Ukraine. They do, however, show that many of the hardest challenges have already been addressed by those who have already entered the market and remain present there. For new investors, learning from that experience can make the market far less uncertain than it first appears.

De-risking methods worth knowing



Revenue and offtake risk.

URMM, a Ukraine Risk Mitigation Mechanism for renewables, and a complementary RAMP-UP program, a new EBRD/World Bank mechanism, guarantee renewable producers a stable price for 15 years. First auctions open in 2026, targeting ~1 GW of wind and solar-plus-battery storage, with up to €1.5 billion in potential investment. Details remain under development (including a market sounding exercise) as of mid-2026. (*EBRD, 2026*).



Credit and first-loss risk.

First-loss guarantees, funded through the European Commission's Ukraine Investment Framework and delivered through EBRD, IFC, and other lenders reduce project risk, making it easier for smaller lenders and private investors to participate. One interviewed lender estimated coverage at around 20-27%, depending on the project. Already in use: a €50 million EBRD-led loan for a 189 MW wind plant was structured this way and presented at the URC 2026. (*EBRD, 2026*).



War and political risk.

MIGA and DFC remain the two main providers of war-risk insurance active in Ukraine, with USD 573 million and roughly USD 1.6 billion (respectively) in guarantees since 2022. At URC 2026, the two agencies signed a new joint framework (URIF-PRI), specifically to insure investment flowing through the US-Ukraine Reconstruction Investment Fund. A separate EU-funded facility also now subsidizes the insurance premium itself for SME-scale sub-loans. (*DFC, 2026; Interfax-Ukraine, 2026*).



Track record and governance risk.

An IFI's due diligence also functions as a “seal of approval” governance signal to other likely co-investors who can, in turn, rely upon rather than repeat; EBRD investment officers have indicated they expect sponsors to bring 30-40% of a project's own capital before a deal is even assessed. (*Interfax-Ukraine, 2026*).



Geographical risk.

Some financiers still avoid projects in occupied or front-line areas, regardless of available insurance. In response, investors increasingly assess projects on a case-by-case basis instead of simply excluding entire regions.

Three Principles from Experienced Investors in the Field

Principle 1

Be present before committing.

Success in Ukraine starts with market presence, not financial modeling. Investors with local relationships, a physical presence, and/ or prior IFI engagement were consistently better prepared than those entering the market from scratch.

Principle 2

Build the team before building the model.

When standard valuation tools are less reliable, local expertise matters most. Strong legal advisors, technical experts, and trusted partners consistently proved more valuable than merely relying on increasingly-sophisticated financial models and valuation tools.

Principle 3

Treat uncertainty as a feature of upside potential, not only a risk.

Early investors have built knowledge which continues to give them a competitive edge. Those already in Ukraine, as well as entering now, are well positioned to benefit from that advantage before larger flows of capital arrive once conditions stabilize or after EU accession progresses.

The idea behind this guide

Based on sixteen semi-structured expert interviews, this guide sums up the practitioner-facing findings of a wider academic study examining how institutional conditions and financial disclosure requirements shape investment decisions in Ukraine's energy sector under wartime conditions. Interview data were supplemented by analyses of authoritative policy documents, including the World Bank RDNA5 (2026), IEA Ukraine reports (2025), OECD assessments (2025; 2026), and Energy Community Secretariat reports (2025; 2026). Engaging an experienced local legal advisor at an initial stage can make company registration, licensing, land acquisition, taxation, and regulatory compliance significantly easier.

Further Resources

Investors who have already entered this market share one lesson: nobody figured it out from a single document. The ecosystem of guides, platforms, and advisory resources around Ukraine's reconstruction has grown fast – some built by the government itself, some by law firms and consultancies already on the ground, some by institutions that have been financing deals in the country for years. Five are worth bookmarking now, each one picking up where this guide leaves off.

UkraineInvest is the government's own investment promotion office and the simplest first move – an “open door” before you commit. Its energy sector overview maps strategy, incentives, and live sectoral research in one place:

<https://ukraineinvest.gov.ua/en/industries/energy/>

DREAM is what happens when a country at war builds its infrastructure in relation to open transparency in real time. Every publicly-funded reconstruction project – funders, budgets, implementation status, risk flags – is filterable and open to anyone. Since 2026, it is legally mandated for all public investment at the central, regional, and local level. For an investor asking "what project opportunities are there," this is the answer:

<https://dream.gov.ua/en>

CMS, Investing and Doing Business in Ukraine 2026 steps back from energy alone and asks: what does it actually mean, legally and practically, to invest in a country undergoing reconstruction, EU accession, and regulatory overhaul – all at once? Main contents include: de-risking tools, PPP frameworks, tax treatment, concession rules, renewables certification. The material is written by lawyers already advising clients on the ground, not from a distance:

<https://cms.law/en/ukr/publication/investing-and-doing-business-in-ukraine-2026>

Kyiv Independent & KPMG Ukraine Gateway, "An Investor's Guide to Ukraine" – what happens when journalists, together with consultants, provide an investor with answers to the most important questions side by side: war risk insurance, banking, property and infrastructure, the EU accession path, sector-by-sector realities – six insights already published, four more coming:

<https://kyivindependent.com/investorsguidetoukraine/>

Ukraine Investment Portal is the living version of everything above – a regularly updated tracker of financial instruments, sector guides, and opportunity listings that keeps moving after every other document on this list has been printed and filed:

<https://investportalua.com/>

This document is a summary starting point, not legal, financial, or investment advice. Prospective investors should seek independent professional guidance before committing capital.