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NEWSLETTER

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Synthesis and Foreign Policy Debates

The newsletter is developed by Mădălin Necșuțu, editor-coordinator

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News in Brief



The President of the Republic of Moldova, Maia Sandu, declared that if the settlement of the Transnistrian conflict does not take place until the country's accession to the European Union, reintegration will occur after the accession process. "If in three to four years there will be no geopolitical circumstances thanks to which we can resolve the Transnistrian conflict, we have already analyzed this topic. The Republic of Moldova cannot stand still, we must become a member of the European Union, and the European Union does not say that if there is no reintegration, it is impossible to join the EU. On the other hand, our people from the left bank will see what integration into the EU means, because the quality of life will increase a lot here. We see this from the experience of all the states that have become members of the European Union in the last 20 years," said Maia Sandu in a TV8 programme. Mai Sandu says that the country's accession to the European Union could take place by 2030, if the society remains united and all the conditions of the European Union are met.



The Republic of Moldova bought an airspace monitoring radar. The purchase was made with money allocated from the state budget, and the informational and logistical support was provided by French specialists. The Minister of Defense, Anatolie Nosatii, stated that the radar is to be delivered to the Republic of Moldova by the end of the year. He refused to divulge the purchase cost of the device and did not want to say from which country it was bought. Nosatii specified that the radar is of the latest generation and will help the authorities to monitor the airspace of Moldova. During a joint press briefing on September 25, the French Minister of Defense, Sebastien Lecornu, who visited Moldova, confirmed this and stated that such devices are used by several countries in the NATO bloc. After the meeting in Chisinau, Sebastien Lecornu stated that France and the Republic of Moldova signed a collaboration agreement and that Paris will help Chisinau to strengthen its defence capabilities.



The Prime Minister, Dorin Recean, announced on September 25, during a briefing, about the launch of a governmental support program "Bonus for Moldova", worth MDL 1.3 billion from which more than 170,000 citizens will benefit. More than MDL 350 million are to be allocated to cover energy expenses in schools, kindergartens, hospitals and other state institutions. Also, the salaries of doctors and workers in the field of culture are to be increased. The employees in education and those in the power ministries will receive one-time allowances of up to MDL 5,000. Recean also specified that the programme aims to support several social categories and was possible to achieve after the authorities, with the support of international partners, identified additional financial sources. Thus, more than 48,000 doctors and nurses would receive 15% higher salaries. Single salary increases are to be allocated for people working in the field of education. In the same way, more than 10,000 employees from the force and intervention structures will benefit from one-time increases worth MDL 5,000 lei. Salary increases of 25% will also be operated in the field of culture, the prime minister stated.

Transformation of Moldova in the new regional energy realities



Sursa: Gazprom Facebook

The Republic of Moldova is entering a new paradigm regarding its future and energy security. Being captive for more than three decades in the spectrum of energy dependence on Russia, Moldova currently has a unique chance to definitively break away from this complex

past with Russia and shape its own European destiny. One of the primary conditions is the replacement of Russia from the energy plans and the rapid connection to the EU's energy systems. Only through this move will a good part of the Russian influence in Chisinau be diminished.

Not infrequently, Moldova stood perplexed in the face of the Russian energy blackmail of the Russian Federation, which curbed Chisinau's European political initiatives.

The geopolitical realities in the region are different today. The Republic of Moldova is closer

▶ than ever to the EU. Romania helps economically and politically more than ever, and Ukraine provides military security. The Western political and military interest in Moldova, in the context of the Russian invasion of Ukraine, is completely different. In Chisinau there is a pro-European power with a lot of openness outside the country, but also with the political will to change things domestically. The past energy projects can finally be harnessed as alternative sources of gas supply, transport and supply. All these realities are complementary and provide the Republic of Moldova with the unique

opportunity to break away from the post-Soviet space and step onto a new path and space of civilization and prosperity.

The road will not be easy. There are premises that Russia can continue to cause big problems to Moldova and, in extenso, to its neighbours, by stopping the supply of gas to Transnistria. The secessionist region continues to be an “Achilles’ heel” for which the Republic of Moldova has no quick solutions. Most likely, not only political, but also massive economic help from the West will be needed if there is a scenario of

the reintegration of the two banks of the Dniester on the table. Russia will not willingly give up its levers of influence in Moldova, so there is a need for concerted internal measures to reduce these instruments. But also political support from outside so that Moldova can achieve those bold objectives committed on its way to European integration. And it is imperative that this European road of the Republic of Moldova also passes through gas pipelines or cross-border high voltage lines as quickly as possible!

Madalin Necsutu

When we have three energy connections with Romania, we will have a completely different level of security

The Minister of Energy, Victor Parlicov, spoke in an interview given to the FES/APE foreign policy newsletter about the plans of the Republic of Moldova to strengthen its energy security. We talked with Minister Parlicov about how Chisinau is no longer dependent on the Russian gas and managed to implement the Third Energy Package, namely the liberalization of the markets. Find out more in the interview below with the Moldovan official about the plans of the Ministry of Energy to connect the Republic of Moldova to the EU gas and electricity market via Romania:

■ What does the entry into the market of the Transgaz from Romania mean for ensuring the energy security of the Republic of Moldova and how will this impact the energy landscape of the Republic of Moldova?

■ First of all, it should be mentioned that the Romanian *Transgaz* was already present on the Moldovan market. *Vestmoldotransgaz*, which is a subsidiary of *Transgaz*, is already licensed because it operates the Iasi-Ungheni-Chisinau



interconnector. This was the main reason why *Vestmoldotransgaz* was selected as the basic option to take over this gas transport activity throughout the territory of the Republic of Moldova.

Even if we imagined inviting someone else, that company would have a lot more to study and would need a lot more time to invest in understanding how this system works.

■ So it was a company that had some experience here on the Moldovan market and that was the main reason why you opted for *Vestmoldotransgaz*?

■ Exactly. Beyond the fact that we have a special, friendly relationship with Romania, there were objective factors that made *Transgaz* from Romania much more competitive. Its market presence made *Transgaz* a much better placed

company to take over this activity. Now what will happen or change? In essence, we can now be much more certain that with the operation of the transport system by an independent operator there will be no obstacles, no artificially created difficulties for other suppliers to enter the market. Because the logic, in general, when implementing the Third Energy Package as part of the EU-Moldova Association Agreement was exactly this.

Let's not forget that *Moldovatransgaz* is a daughter company of *Moldovagaz*, and *Moldovagaz*, in its turn, is controlled through the majority stake by *Gazprom*, more precisely two-thirds of the shares.

So there was a risk, even if it was not always obvious or did not always materialize, that this affinity between *Gazprom's* supplier, *Moldovagaz*, and its control over *Moldovatransgaz*, would obstruct the market entry of other suppliers.

■ But can we now say that Gazprom's monopoly has thus been broken?

■ The separation we undertook in the Third Package was about exactly that. If we talk about *Gazprom's* monopoly, we could say that we gave up gas purchases from *Gazprom* on the right bank before making this separation. More precisely, *de facto*, *Gazprom* was no longer a supplier already. We made this separation in September, and *Gazprom* was no longer the main supplier on the right bank controlled by the constitutional authorities.

At the same time, the risk of the transport company obstructing the market entry of others has been significantly reduced, and this will lead to the fact that we will have more and more suppliers in Moldova. We will have more and more choices for consumers.

We are gradually entering a new era where selecting the supplier, choosing a supplier, negotiating a price with the supplier is becoming normal. This did

not exist six to twelve months ago. Even though the market was liberalized *de jure* since 2016, *de facto* few people knew and benefited from this *de jure* liberalization.

Now we are entering a normality and I believe that the degree of market liberalization will gradually increase and we will have more and more consumers who have negotiated gas prices or mutually agreed with the supplier. And more and more will gradually leave the regulated market.

■ Could we also expect lower prices, perhaps in the bills for citizens as the ultimate beneficiaries of these policies?

■ Consumers will have more options. This does not mean that the first to benefit from these options will be the domestic consumers.

However, free market suppliers primarily orientate themselves and look for higher, more stable consumption during the year, etc. But that's where it starts. In the end we will get where everyone has gotten, namely the liberalization, including the retail sales market, where two neighbours will have two different gas suppliers, with different prices, under different negotiated conditions.

■ And can the final consumer benefit from this competition?

■ It's always like that. When we were locked into a single contract with *Gazprom*, we had only one formula, one option, one price. Now with more options, one can negotiate. It is no secret that the Russian Federation uses *Gazprom* including to impose political conditions.

■ Minister, the cold season is approaching, how has Moldova prepared for it, what stocks are there and what strategies do you have in general to tackle this winter?

■ Our strategy throughout this year resulted from the fact that we went

through a very terrible winter. Not from a security point of view, but terrible from a cost point of view. The citizens, the economy, the economic environment - they all suffered, they all opened their pockets a lot to meet the costs of these bills.

We have to be aware of this and we have to understand that the people have certain expectations. When looking to the coming winter, they look with a great deal of concern at what will be this year. In this regard, I have good news, because it will certainly be easier.

First of all, the international market situation caused prices to fall. We managed to purchase gas at good prices. We still had stocks from last year, which were more expensive. But together with the new stocks, plus what we are going to buy, and we are waiting for good times to procure, we are convinced that we can now catch the level of stocks in Europe. They are currently at a record high of over 93%.

So, consumption has not started yet and we are counting on being able to buy gas for the next period at relatively good prices with which we want to cushion the cost of stocks. After we have clarity about the price of the stocks we are entering this winter with, OPCOM will write to *Moldovagaz*, will inform how much it is ready to sell this gas in the next cold period of the year, and I believe that *Moldovagaz* will address to the regulator (ANRE - n.r.) for price revision. I am absolutely sure that we will have better prices than last year.

Regarding the compensation of the citizens' bills, we'll see, because we surely cannot keep the same level of compensation when prices drop. But for sure no one will pay more than they paid last year, everyone will pay less.

However, we also have a risk in terms of electricity, because if we fail to have a contract with those on the left of the Dniester, we will have to substitute this

energy by procuring it from outside, from Romania.

Today we've had a discussion on this topic, and these prices would be significantly higher. We are now doing some modelling to understand what the prices would approximately be if we did not reach an agreement with the Moldovan Thermal Power Plant - *Moldgres*.

If we end up in this undesirable scenario, we will have to redirect some of the money that is for gas compensation to electricity compensation. But let's get to October 1st, and then it will be clearer what we do next. But the intention is to have a contract with *Moldgres*. It would be good for both of us to focus on more important matters than to discuss and negotiate new prices and contract terms every month or every week.

■ Mr Parlicov, are there reasons to worry that Gazprom will no longer be able to deliver transited gas to the separatist region this winter? At one point there was a discussion about the transit agreement for the Russian gas through Ukraine, a contract that we know will expire next year. How are we at this chapter?

■ For the time being, we have no signals that Gazprom intends to stop gas delivery, including on the left bank of the Dniester.

At the moment, Gazprom only supplies gas to the left bank. Of course, we are also preparing for such a scenario, but this is undesirable. We start from the premise that Gazprom will continue to deliver gas at least until the transit contract through Ukraine expires.

I have said it on several occasions - this construction, in which Gazprom supplies de facto free gas to the left bank of the Dniester, is not viable in the long term.

However, at the moment, this is a compromise solution, the only one that suits Moscow, Chisinau, Tiraspol, but also Kiev.

■ Minister, speaking of Gazprom, did you receive any feedback from them after you proposed to Moscow, more precisely to Gazprom, about USD 8 million and not USD 709 million as they requested? Any signal from Moscow?

■ The audit report is huge. We announced about this document and made it public. Everyone has the opportunity to read it and get informed with the auditors' conclusions first hand.

Two independent companies worked on this report. We believe that the Moldovan Government, when it contracted this audit, specifically sought to understand the nature of this debt rather than how much the debt is, from an accounting point of view. We wanted to understand how the debt was formed and how much of it and why should we put it on the shoulders of the Moldovan consumers and tax payers.

Now that this exercise is completed, we believe that there are no grounds to burden consumers and tax payers in the Republic of Moldova. That's why I came up with a proposal to Gazprom based on the estimates and calculations presented by *Moldovagaz*.

Of course, there is also room for discussion and negotiation. We have forwarded this material to Moscow and are waiting for their response. I haven't received anything official. We will request that this report be heard and examined in the meeting of the Council of Observers, because that is what the protocol signed in October 2021 also provides.

I think we have made our step. In the relationship with Gazprom, this was the only thing breaching in a way the contractual provisions on our part. We undertook to do the audit and make this proposal to Gazprom by May 2022, and we have only succeeded in doing it now. But we did it.

So, we kept our word, we completed it, even if with delays. We are in good faith.

Further, it depends on Gazprom and what they want to do with it. There is room for discussion, but if no consensus is reached, we believe our legal positions on this audit are very strong.

We proposed this way of debt settlement, because we really believe that it is correct. We are waiting for the response from Gazprom and will react accordingly. So far, we haven't received anything official.

You were recently in Romania and I would like to ask you to point out the main conclusions of your visit and results.

First of all, I went to the Romanian Energy Symposium - SIREN - which focuses more on the energy sector in Romania. But I wanted to be there for two reasons. First, I took it as an opportunity to address some topics in relation with the colleagues from the Romanian Ministry of Energy. And second, because we really aim, do and move with rapid steps towards the coupling of the energy systems and energy markets between the Republic of Moldova and Romania.

I'm just reminding you that with regard to the bilateral interconnections, we must necessarily complete the work on them. I can tell you that they are working intensively. Apart from that, we also have markets. In Romania there is a market, a liquid market - the OPCOM - which is a platform on which energy is bought and sold on a certain schedule. And there is Moldova, which is somehow a more distorted or unorganized market.

In this case, first of all, we need to make the interconnections. Second, we need to create a market operator, and it is not by chance that we have invited to Moldova namely OPCOM, to create and become the energy market operator here, so that later, when the interconnections with Romania are ready, it is much easier to connect the markets. And I think that this is going to happen, after we complete the interconnections. Moldova will be so well interconnected with Romania

and Ukraine that we could serve as a platform, including for energy exchanges between Romania and Ukraine.

I am absolutely certain that in the future major energy flows from Romania to Ukraine and vice versa will pass through the Republic of Moldova. This will probably be the most open energy system on the continent.

■ **How are we doing in terms of connecting the power lines with Romania? We are waiting for the completion of the works on the Vulcanesti-Chisinau line so that we are no longer dependent on the button of Moldres in the Transnistrian region, but we know that there are other lines that you are planning to build with Romania. What is the situation in this regard?**

■ The volume of investments in the energy sector in Moldova or the speed with which investments have been made in the country in recent years is incomparable with the volume and investments that were made 30 years ago.

We are now reaching the end of life of a good part of the equipment in the energy sector. The generators from the main sources of heat generation are old in the municipality of Chisinau. We are now in a moment of restart on energy generation, on interconnections, etc. The interconnection with Romania is currently Isaccea (Romania) – Vulcănești (Republic of Moldova), but in order to fully capitalize on the potential of this interconnection, we must unite Vulcănești with the main consumption center, namely Chisinau.

This is the most advanced project. The necessary equipment is already being delivered and I hope that this year we will start the first foundation tests for the pillars so that next year we have the first pillars installed. We want to complete the construction of this line by the end of 2025.

In addition to this, there are two other lines on the bilateral agenda with Romania. One is Balti-Suceava. In Moldova we are somewhat more advanced than on the Romanian side. We not only made the feasibility project, but also identified the financing from the money that we will no longer invest, because it is pointless, in the back-to-back station from Vulcănești. Part of this money was reallocated for the Balti-Suceava line.

We also expect from the Romanian side to have clarity regarding financing, because, depending on who finances and how, the procurement rules can be different. Our intention is somehow to synchronize these processes on both banks of the Prut. Ideally, we could build the whole project with the same consortium. We don't know if we will succeed, but at least the teams that will build on one side and the other of the Prut should synchronize their efforts.

On the Moldovan side, the estimates for this segment are about 40 million Euros, including the expenses for the transformation stations. In the Romanian part, I do not know these details.

We are also planning another interconnection project with Romania, namely a connection coming to the center of the country on the Iași-Strășeni or Iași-Chisinau axis, and this is the "greenest" project, in its early stages. And this is a bit atypical, because the money for this line has not been allocated yet, specifically from the US grant of \$300 million. Part of this money was budgeted for this line. The technical solution has not been identified, and we are in the process of identifying the most optimal geography to make this connection.

When we have three such energy connections with Romania, we will have a completely different level of security and we will become the most open energy system in Europe. We will be able to exchange energy between Romania, the Republic of Moldova and Ukraine.

I would also want to ask you about the visit to Kiev that you made last month with Prime Minister Dorin Recean. On the energy side, what did you discuss or what did you agree with your Ukrainian counterparts?

First of all, if in Romania we were more interested in the part of development, future, cooperation, including in fields that last for years, such as nuclear fields, for instance, in Ukraine we discussed more urgent topics. We must understand that there is a war in Ukraine and they continue to resist. Ukraine has actually become a shield for Europe, including for the Republic of Moldova. And we should be grateful to them.

Why? Because they are very vulnerable to attacks on critical infrastructure, and the Russian Federation demonstrated last year what it can do. Moscow has demonstrated that it does not stop in the face of attacks on civilian energy infrastructure in Ukraine.

The citizens and leadership of Ukraine are obviously preparing for a complicated winter, and in this context, we discussed topics related to possible crises that could arise and how we can help each other to overcome these crises.

We discussed about the interconnection of Ukraine and the Republic of Moldova with ENTSO-E plus, because the import flows now are limited to 1200 megawatts, and we want to increase them to 2000 megawatts.

We discussed about increasing the gas pumping capacity on the Southern Corridor – the Trans-Balkan gas pipeline. We want more gas to be pumped from Greece and Bulgaria into the storage tanks in Ukraine for the Central Europe during the winter.

So, we have discussed issues that are more security related and more urgent than the usual winter preparations.

■ **Thank you!**

Editorial

Why energy connectivity with the EU must be 'priority zero'

In every crisis there are also opportunities. This is also the case of the Republic of Moldova, which succeeds for the first time in more than 30 years since independence to break Gazprom's monopoly on what it means to transport, distribute and supply gas. On September 19, the Romanian company Transgaz will represent an alternative to the services provided until now by Moldovagaz, a de facto subsidiary of the Russian gas concern.

The war in the proximity of the Republic of Moldova changed the strategy, but at the same time it forced Chisinau to take some necessary decisions to ensure its energy security. Here we must also mention the vision of Bucharest, which stubbornly built the Iași-Ungheni-Chisinau gas pipeline, carried out under difficult conditions and with many obstacles from the pro-Russian politicians or those who did not want to disturb the monopoly interests of Gazprom.

The Romanian gas pipeline prepared today's entry of Transgaz, a Romanian gas transport company. Therefore, through the above-mentioned gas pipeline, to which the Transgaz contribution is added, the Republic of Moldova will be able to receive gas from the European Union via Romania.

Through this move, the Republic of Moldova can also put into practice the provisions of the Third Energy Package, agreed with the European Energy Community since 2012. Here, after more than a decade, end consumers in the Republic of Moldova can have more



options regarding the gas supplier. This will gradually lead to a decrease in prices, as this will no longer be the exclusive prerogative of Moldovagaz.

The purchase of gas from international exchanges at prices even lower, at around \$400, than those in the current contract with Gazprom, once again showed the viability of the decision to diversify the country's supply sources.

Blackmail and Russian monopoly

More than the economic part in this whole story is the political freedom of manoeuvre that this move is solving. It is no secret that Gazprom was just a tool in the hand of the Kremlin to achieve its political goals. It is the first time that the authorities in Chisinau no longer have their hands tied behind their backs by the Kremlin. The political

blackmail applied by leveraging gas supplies no longer works.

Moreover, the current situation shows even more strongly a truth known, but contradicted by some, more precisely, that Transnistrian separatism and the economic existence of this pro-Russian enclave are sustained only on the free gas received from Gazprom through its subsidiary Moldovagaz. Without this incentive from Moscow, which currently supplies gas exclusively to the left bank of the Dniester, this separatist entity would quickly suffocate under its own weight.

Chisinau is also prepared for the scenario in which Putin orders the gas cut in Transnistria at any time. That would show how much the Russian Federation cares about the approximately 220,000 Transnistrian citizens passported by Moscow. No one

has any doubts that Putin could turn off the free gas button for Transnistria just to create a humanitarian crisis for the Republic of Moldova. More precisely, it is about the timing when this may occur.

According to the current data, this tap to Transnistria could be turned off even by Ukraine. It is very hard to believe that under the current conditions Kiev will allow Gazprom to participate in a gas transit auction on its territory, implicitly to the Republic of Moldova and then Transnistria. The contract expires in 2024. So, calendar-wise, the economic existence of Transnistria can only function for about a year, being cut off from its access to free gas from Russia.

From here, things could get complicated for the Republic of Moldova, which would no longer be able to get cheap energy from Transnistria and would have to buy from the free market, at higher prices than the “dumping” prices currently offered by the plant from Cuciurgan.

The immediate challenge regarding electricity

If when it comes to the gas the Republic of Moldova has ensured stability, the challenge in the years to come is related to the supply of electricity. The authorities in Chisinau foresaw this crisis and invited OPCOM from Romania to open a branch in Chisinau through which it will be possible to buy electricity from international markets.

The trend in the near future is for Romania and the Republic of Moldova to have an integrated energy market both in the case of gas and electricity supplies. However, these electricity lines from Romania, ignored for decades by the Chisinau authorities,

cannot be built overnight. These were omitted and ignored by the politicians from Chisinau, who not infrequently appeared in corruption schemes with the separatist leaders from Tiraspol. Added to these were the influences of Moscow, which aimed to make the right bank always dependent on the left bank in terms of electricity.

It will take several years to reach a sufficient interconnection with Romania, and this depends on the existence of a pro-European power in Chisinau, with the same desire for reforms in the energy sector in order to strengthen the energy security of the Republic of Moldova through a strong connection with both Romania and Ukraine, to the extent that this will be possible in the context of the war. One of the wishes of the current Minister of Energy, Victor Parlicov, is for Romania, the Republic of Moldova and Ukraine to become a regional energy hub in the energy architecture of Europe - an ambitious project made in difficult times, but not an impossible one.

Green, the watchword for the future

Last but not least, investments in green energy from renewable sources are needed. If in political terms the Republic of Moldova has set an ambitious goal of joining the European Union, the same thing is happening in terms of energy.

The government proposed that by 2030, green energy should represent 27% of the total energy consumption in the Republic of Moldova. This approximately one-third would be a feasible target under the conditions of suitable investments. Last but not least, it is very important that the Republic of Moldova somehow joins the Romanian

project, which foresees the installation, for the first time, in Europe, of modular nuclear reactors (small modular reactors - SMR) by 2028-2030.

The technology of these small mobile nuclear power plants has already been patented in the USA and will be implemented in Romania as the first pilot project. This would not only provide a high degree of energy independence to Romania, but could become a viable alternative source for the Republic of Moldova to receive electricity at affordable prices. It is important that the project becomes a joint one between Romania and the Republic of Moldova.

Political continuity

But this is only possible through the political will of some pro-European political forces that want the energy connection of the Republic of Moldova to Europe, and perhaps also by an extra speed in this regard from Romania as a link to the EU. So, it is very important that the current pro-European power completes its current legislative mandate until the summer of 2025, but also wins the next one to continue these projects. All this time, the oligarchic forces, as well as Russia, are working to prevent this wish from materializing. It is a major turning point in the young history of the Republic of Moldova to achieve its political goals and join the European family. Continuity is the key word for two concurrent legislative cycles and continuation along the same line of political will. The aid of the West will surely come in the future as well, as it is happening in abundance at present, and the Republic of Moldova has every chance to truly become, without populist half-measures, the so-called “success story”, not just one of the European Union.

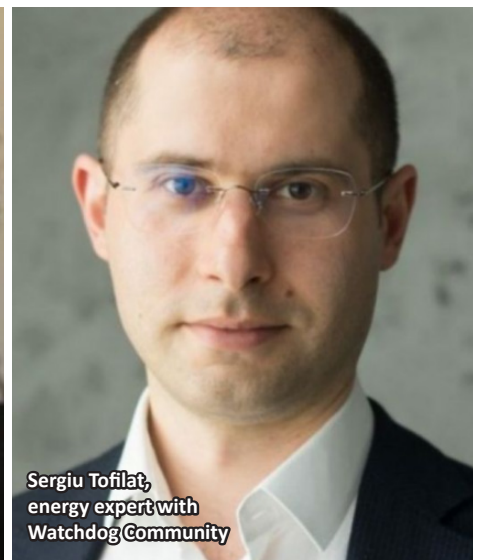
Moldova has finally gained courage to take the steps it did not dare to take in the direction of Russian interests in Moldova



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The entry of Transgaz on the Moldovan market and the diversification of gas suppliers was the main subject of interviews carried out by the FES/APE foreign policy newsletter. We set out to find out from three energy experts from Moldova and Romania what this important moment means for ensuring the energy security of the Republic of Moldova and what its future implications are.

**Eugenia Gusilov,
director and founder
of the Romania Energy
Center (ROEC) Think Tank,
Bucharest**

■ How important is the entry into this market of the Romanian gas transport operator *Transgaz* for the Republic of Moldova?

■ It is important, because one more reciprocal step is being taken between

Romania and the Republic of Moldova. Thus, we will have a deepening of energy cooperation. Finally, Transgaz is starting to play a more active role. Many steps have been taken, the necessary infrastructure was also built through the Iasi-Ungheni-Chisinau gas pipeline, but the gas has not circulated much in recent years.

There have been all kinds of problems and delays, especially regarding energy cooperation which has accelerated unexpectedly in the

context of last year's crisis. Thus, we see these positive results against the backdrop of war in the region, which has forced everyone to stop postponing various projects and push forward with reforms.

■ Until now, Moldovagaz had the monopoly on gas supply and transport. Is this situation changing now?

■ Yes, it is. In Chisinau, in the past, there was also a fear of implementing reforms, of going with the reforms to the end. Not that Chisinau or the decision-makers didn't understand what they had to do. But they were afraid to go that far against the economic interests of the Russian Federation in the Republic of Moldova.

However, last year, when the paradigm changed completely - geopolitically and from all points of view - the Republic of Moldova finally gained the courage to finally take the steps it did not dare to take in the direction of Russian interests in Moldova.

■ **In this context, has Russia's leverage diminished in favour of the EU with this move? We all know that energy leverage has always been used by Moscow to gain political advantages.**

■ I would say it lost weight, not disappeared. As long as the Cuciurgan plant on the left of the Dniester continues to consume Russian gas to produce 70% of electricity for the Republic of Moldova, Chisinau remains extremely vulnerable.

But still, Russia's influence has weakened. And if the Republic of Moldova continues on this path, and is fully supported by all Western partners - Romania and other European institutions - things will change.

President Maia Sandu is the first leader from Chisinau who has such a good relationship with European states and the West in general. She is in a unique position that allows her to push things forward that would have taken much more time and effort for her predecessors.

There is a political and geostrategic alignment that is favourable to these reforms. They should be pushed and eventually can pick up speed in order to see tangible results in the coming years.

■ **Will Moldovatrangaz remain only a gas operator for the Transnistrian**

region? We know that the Republic of Moldova no longer buys gas from Gazprom for the right bank and all the gas from Russia goes to Transnistria.

■ We might see this limitation to the Transnistrian region, but that does not mean Moldova has solved all its problems. These steps have been long overdue, but they need to be followed by many other steps. The measures in this direction must continue.

■ **The Minister of Energy, Victor Parlicov, is flying to Greece most likely to arrange things on what means the supply in the reverse system on the Trans-Balkan gas pipeline. Would this also be a contribution to the energy security of Moldova?**

■ I think we finally have all the conditions for this to happen. The difficulty of this process is given precisely by the fact that there is a bilateral pressure - Moldova and the country that sells gas to it - regardless of where the gas comes from. It is a matter of transit that involves two, three or more countries until the gas reaches. Either this gas comes from Azerbaijan or it comes through a liquefied natural gas terminal, and then re-gasified and sent by pipeline through Greece, Bulgaria, Romania reaching Moldova. Or it can be partially stored in warehouses in Ukraine. Because we saw it in the winter of last year, namely that in the midst of conflict, with the energy infrastructure being bombed almost daily, the underground gas storages were able to ensure the safety of gas storage there.

Last year was a fire year for Ukraine's ability to store gas underground in the western part of the country for

Western partners. Kiev has shown that it can do this, even though it has a war going on on its territory.

Last year was the most intense year in terms of events in the energy area, especially in Europe, with certain conclusions and results. Based on these we can take the following steps.

■ **If we admit the scenario that Romania does not need in this cold season the billion cubic meters of gas that it contracts annually from Azerbaijan, could Romania redirected it to Moldova?**

■ This could happen both theoretically and practically, if Romania wants it. Everything depends on the political will of Bucharest. From a technical point of view, we have everything we need for this.

We have to see if Romania itself does not need this amount of gas from Azerbaijan. Gas consumption also decreased in Romania last year, and if this reduced consumption trend continues, this volume can indeed be reduced to the needs of Moldova. This can be a variant of using this volume of gas from Azerbaijan.

Otilia Nutu, public policy analyst in energy and infrastructure with Expert Forum

■ **How does the entry of Trangaz influence the market in the Republic of Moldova and what benefits could this bring?**

■ Let's first see why there is this requirement on "unbundling". There are European directives on both

electricity and gas. The idea is that whoever controls the grid could have an influence on who can get gas in and out of it. This could influence the market on the producer side, the transport network, but also on the supplier/ distribution side. This is why the interests of the network operator must be completely separated from the interests of a producer or supplier. Because it could favour the supplier's access to the market by blocking others, namely its competitors. This is why there must be a separation between Gazprom as a gas supplier and Gazprom as a transport operator.

This unbundling could be done in several ways, according to European directives. In the Republic of Moldova, the operation, with all the related rights to control what enters and leaves the network, has been offered to an operator that is independent of the interests of producers or suppliers entering the market.

■ **If we think on a larger level, was Russia's influence in Chisinau diminished by this energy leverage that it completely possessed?**

■ Yes, obviously yes. This was also the risk, that Gazprom would find a technical pretext, which no one else understands, to say that we cannot take gas from Romania, because here we have a problem on the network. With this move with Transgaz, this scenario has been eliminated.

But the big win is what happened in the last two years -the fact that the interconnection through the Iasi-Ungheni-Chisinau gas pipeline has been completed and now the gas can flow through the pipeline

in quantities that really matter. I believe that if these steps had not been taken previously, we would not have been discussing the entry of Transgaz as an operator in the Republic of Moldova today. And it wouldn't even have made sense. The problem before the construction of this gas pipeline was that Moldova had no elsewhere to get gas from.

Now one more issue remains to be resolved on Romania's side, namely for Romania to ensure the gas transport on the Trans-Balkan corridor. That is, the "reverse flow" around Isaccea. This is the last thing to do to be truly at peace.

I also think it is a very good thing that the unbundling with Transgaz has been achieved, because it is one more connection with the EU. It is good to have as many EU companies as possible in the Republic of Moldova in order to keep the European interest as long and strong as possible in this region.

Sergiu Tofilat,
energy expert with Watchdog Community

■ **What are the implications of Transgaz entering the market in the Republic of Moldova as an operator? Will this diminish Gazprom's influence in Chisinau?**

■ This will certainly reduce the influence of Gazprom, because Gazprom, through its Moldovagaz subsidiary in Moldova, where it holds the majority share, will no longer be able to obstruct competition.

The goal is for the gas infrastructure to be available for any gas supplier

that wants to enter the Moldovan market. For this, it was necessary to amend the legislation, to amend the Third Energy Package related to the separation of the activities of gas operators and transporters. They did not want to go with the independent ITO transport model and we went with the independent operator of the ISO system, the one designated by the state [Transgaz].

After this move, we can say with certainty that Romania now plays an important role in ensuring the energy security of the Republic of Moldova. We have gas storage, gas purchases from Romania. This helps us to get rid of the dependence on the Russian gas.

■ **What will happen to the Transnistrian region in this scenario? What would be the forecasts?**

■ There is a risk. Putin could disconnect the gas to cause problems for the Republic of Moldova. But in this case, he will only punish the citizens on the left bank of the Dniester. However, I still think the probability of such a scenario is small. However, we must also prepare for this, because if Putin does not do it this winter, then next winter the contract for the gas transportation through Ukraine expires. Whether we like it or not, we have to prepare for the reintegration of the two banks of the Dniester.

After the contract expires, it is unlikely that Gazprom will be able to transit gas through Ukraine. Even if there will be tenders for gas transportation through Ukraine, it is very unlikely they will allow Gazprom access.

■ **Is it possible for Moldova to invest in the Cernavoda nuclear power plant in Romania for energy, precisely so that Moldova is no longer dependent to a large extent on the Cuciurgan thermal power plant in the Transnistrian region?**

■ Such an investment is possible, but that does not mean that you can take part of the energy produced there and import it to Moldova. Because, according to market rules, the one who produces energy puts it up for sale on the OPCOM exchange in Romania. All that can be obtained are dividends from the profit of the Cernavoda plant based on the shares Moldova would hold.

■ **OPCOM, the operator of the energy exchange in Romania, was invited by the Moldovan government to take over the local exchange. What would this mean?**

■ Moldova has the obligation to designate the operator of the electricity market by the end of the year. The most recommended in this sense is OPCOM, a company that has about 20 years of experience in Romania in this area and has the necessary expertise.

I think it's a good solution because it's hard to create something from scratch. This takes time and it would not be worth it. Then we have to somehow also think about connecting the markets, because in a few years we will have connection lines with Romania - Chisinau-Vulcănești-Isaccea, and Balti-Suceava. It will be a common market. In this case, it is better to have the OPCOM on your side who can do the market coupling.

■ **If we think about Transgaz on the gas side and OPCOM on the electricity side, would that mean a welding of bilateral relations in the energy sector and obviously the strengthening of the energy security of Moldova?**

■ Yes, it is true. We should take it into account that in Romania, in certain periods, there is a shortage of energy. Romania is also an energy importing country and the deficit is covered by the neighbouring countries. It could be an option to restart the coal plants in Romania to ensure the Republic of Moldova with energy, but the important thing is how much this energy will cost.

■ **What can you say about the financial audit regarding the debt of the Republic of Moldova to Gazprom?**

■ The debt balance of 8.6 million USD mentioned by the Moldovan authorities regarding Chisinau's debt to Gazprom is a preliminary result. There are still certain elements of the debt that need to be clarified.

I do not rule out that, subsequently, Gazprom could remain indebted. Gazprom is expected to disagree with the results of this audit. Here we have to see what result the Republic of Moldova wants to achieve. In the sense that we have now this audit report, but what do we do with it? I see the defence of the Republic of Moldova's rights in court as a continuation to this report. Not on the basis of the Gazprom-Moldovagaz contract, because a possible arbitration in Moscow is mentioned there and we all realize what chances of

winning are in this case, but a claim by a minority shareholder, namely the Government of the Republic of Moldova, against the majority shareholder, respectively Gazprom, about how the enterprise was managed.

Here there will be questions to the Prosecutor's Office, NAC, and the Moldovan courts, to investigate the frauds. Another part of the claim is how the money of consumers on the right bank was used, including the money allocated by the Government, how Gazprom used that money and that from the money of the right bank the debt of the left bank was paid (the historical debt of Tiraspol to Gazprom -n.r.).

I see two aspects as the final result: the first is related to the total amount of the debt that will probably be reduced by the faulty management at Moldovagaz and the second aspect is related to the total debt that is divided between the right and left banks. Before the audit, we had a situation according to which the Republic of Moldova allegedly had a debt of 709 million USD, but after the audit, I think the debt of the right bank will be zero and the debt of the left bank will increase.

If you have, for example, 8 billion USD as debt, of which 7.3 billion USD is the debt of Transnistria, and 700 million - of Moldova, after the audit it could be obtained that all 8 billion USD is the debt of Transnistria to Gazprom. But there will be a lot of work on this in the future.

■ **Thank you!**

SECURITY & DEFENCE DIGEST

The Platform for Security and Defense Initiatives

Gazprom loses its monopoly in Moldova: effects on the energy security of the country

The Russian concern Gazprom expressed its “categorical disagreement” regarding the interpretation by the Republic of Moldova of its debt for Russian gas. On September 6, the Minister of Energy, Victor Parlicov, presenting the results of the international audit regarding the historical debt of the Republic of Moldova for the Russian natural gas, stated that the real size of the debt is USD 8.6 million and not USD 709 million as stated by Moldovagaz and Gazprom.

According to Gazprom, “The auditor’s report was not approved by the “Moldovagaz” Supervisory Board, as provided by the agreements concluded between Gazprom and the Moldovan Government, that is, the auditor and the tender conditions for purchasing the services were established unilaterally by the Moldovan side without the consent of the two concerns. Gazprom stated that it intends to continue to defend its rights in all possible ways.

This attitude is determined by the fact that Gazprom is losing its monopoly. More precisely, Moscow loses its manipulation tools of Chisinau. In addition, the Republic of Moldova is deepening its connections with the European energy market by approving on 13 September 2023 the lease to Vestmoldtransgaz, the subsidiary of Transgaz Romania, of the transmission networks of natural gas managed until now by Moldovatrangaz, a subsidiary of Moldovagaz.

The Moldovan government said the international audit report supported its claims that the Russian state-controlled company Gazprom used its monopoly on the natural gas supplies to Moldova to undermine the pro-Western government and promote Kremlin’s financial and political objectives in the region. The Russian gas giant Gazprom has been Moldova’s sole supplier of natural gas for decades, abusing its monopoly position in the country and allowing gas debts to “accumulate without taking steps to enforce payment or restructuring...”, the report also states.

Thus, Moldova was on the list of European countries where Gazprom has allegedly tried secretly to create influence over businesses and politicians, using gas supplies as leverage to push Kremlin’s interests and agenda. Beyond monopoly as a power interest, there cannot be neglected the protection of the monopoly position with the support of Moldovagaz for exaggerated economic interest and unfair profit.

Although Moldova does not have its own energy resources, depending on imports in terms of energy security, significant steps were taken in the last year and a half to diversify the supply of natural gas and electricity. In December 2022, Moldova almost completely stopped purchasing gas from Russia’s Gazprom, except for the breakaway region of Transnistria, which has not paid for its gas consumption in years. Moldovagaz purchased insignificant quantities (~2 million mcm) from Gazprom in March 2023 to avoid paying penalties according to the “take or pay” contractual provision.

As a result of energy security challenges, in February 2023, the Ministry of Energy was established under the new government structure, and national energy security targets will be set in the integrated National Energy and Climate Plan, but also in other strategic documents under development.

In this context, the fact that the Board of Directors of the National Agency for Energy Regulation (ANRE) approved the lease transmission contract to Vestmoldtransgaz, the subsidiary of Transgaz Romania, generated discussions in the public space and a series of articles in the local press.

Market liberalization

Already in 2009 the Republic of Moldova joined the European Energy Community and committed to transpose into the national legislation the legal framework adopted in the EU regarding the standards and operating conditions of the electricity and natural gas sector. It is about the Second Energy Legislative Package adopted by the EU in 2007 and the Third Energy Legislative Package adopted in 2009.

The Third Energy Package explicitly provides for the **separation of transport** activities from those of **production** and **supply**, thus ensuring access to transport services for any company that intends to enter the domestic electricity or gas market with production or supply activities. In this **production-transportation-supply trilemma**, the most sensitive point for the proper functioning of the local energy market is transportation. Transport can significantly affect the import but also the way energy sources are supplied to consumers

In October 2011, the Moldovan Government signed the agreement for the transposition of the Directives and Regulations that make up the Third Energy Legislative Package into the national legislation, committing to achieve this by 2015. Later, for various reasons, this deadline was postponed several times. The security crisis generated by the war in Ukraine made Chisinau accelerate the transposition of legislation and take concrete steps in implementing the commitments.

There is no doubt that the steps taken to implement the Third Energy Package offer several advantages for the energy market of the Republic of Moldova, but primarily it contributes to strengthening the security of supply of electricity and natural gas. This became possible thanks to the changes in the legislation that allow ANRE to officially start the

procedure of separating the services provided by the companies active in the field of natural gas transport and supply.

Leasing out the natural gas transport network is a practical step to separate the process of natural gas **transport** and **supply** between different operators, thus reducing the control levers previously held by the Gazprom company in Moldova through Moldovagaz and Moldovatransgaz.

For the Gazprom company, Chisinau decision to separate transport services from natural gas supply services was neither surprising nor dramatic. The same path was followed in the case of other European states, which until 2009 were in a similar situation to that of Moldova. One of the methods allowed by the EU Directives included in the Third Energy Package offers the option to oblige the monopolist company in the field of gas transport and supply, to lease the transmission networks to another operator, for a certain period, without losing the status of owner. Thus, even if, following the adjustment of the national legislation in accordance with the requirements of the Third Energy Package, Moldovagaz was determined to transfer the natural gas transportation pipelines in Moldova to another company, the owner remains Moldovagaz, the daughter company of Gazprom. As a result, it is not expected that there will be any impediments from Moscow.

Thwarting Moscow's interests

Moscow previously opposed the implementation of the Third Energy Package by the Republic of Moldova. The negotiation and signing of the new natural gas delivery contract in Moldova served as a lever of influence. After the old contract expired in December 2011, it was extended annually by Gazprom, keeping Chisinau in limbo. Respectively, Moldova had no guarantees regarding the delivery of gas, the instruments

of pressure from Moscow on Chisinau regarding its national security policies being extended.

Previously, in 2012 for example, in order to offer a 30% price reduction for gas, Russia asked Moldova to withdraw from the Energy Cooperation Agreement with the EU. The pressure decreased after the loss of the full monopoly over the transport networks by Moldovagaz, with the commissioning of the Iași-Ungheni-Chisinau gas pipeline, which was taken over by Vestmoldtransgaz owned by Transgaz Romania. This gas pipeline, even if it was not used at full capacity, had a substantial impact in strengthening Chisinau's position in the negotiations with Moscow on the issue of natural gas supply.

After the approval of the lease contract by ANRE, the transmission process can be considered legalized, and for Moldova this represents a big step towards the liberalization of the natural gas market, facilitating access for other companies, diversification of natural gas import sources, better prices for final consumers, i.e. more security and stability of the energy market. The company that took over the operation of the transport network is Vestmoldtransgaz, which already manages the Iași-Ungheni-Chisinau gas pipeline. This company will operate all the transport networks on the territory of the Republic of Moldova, including the Transnistrian region.

In this context, the Minister of Energy, Victor Parlicov, stated during the meeting of the Commission for Exceptional Situations: "As in the case of the synchronization of the electricity market with the continental one, household consumers will not feel this change in the gas market in any way. However, this separation, which the Republic of Moldova has been postponing since 2012, is an enormous leap in the transposition of the European legislation and the liberalization and transparency of the gas market".

In order to reduce the impact of Russian propaganda on energy security issues, it is necessary to inform the population and promote clear messages that such procedures regarding the separation of the “transporter” from the “supplier” will ensure non-discriminatory access to the local energy market for all companies and in the long term it will increase the credibility of the local market for European suppliers. Moreover, taking such apparently delayed decisions, as the elimination of the Russian monopoly, assume that there would be certain scenarios or measures that would prevent some risks related to the Transnistrian region, for example, in the situation when Moldova could remain without electricity. The completion of the power line from Vulcănești, which connects the system of the Republic of Moldova with the electrical networks in Romania, bypassing the “energy node” from Cuciurgan, is still awaited, thus Moldova could eliminate yet another vulnerability of the national energy system.

From the point of view of energy security, there is another important aspect. It is about the taking over by the Vestmoldtransgaz of the role of operator also on the segment of the trans-Balkan gas pipeline that passes through the territory of the Republic of Moldova. In recent months, this gas pipeline has been used in reverse mode and ensures the transportation of natural gas from the Balkan area to underground gas storage facilities in western Ukraine. As a result, this decision also has an impact on the energy security of other states in the region that use this transport infrastructure.

Thus, the leasing of natural gas transmission networks to

Vestmoldtransgaz establishes certain advantages for ensuring the energy security of the country: the elimination of the monopoly position that Moldovagaz held as a transporter and supplier of natural gas in Moldova; the possibility to diversify natural gas import sources; the opportunity to integrate more quickly with the regional energy market; supporting the accession process of the Republic of Moldova to the EU; expanding cross-border connections and access to regional cooperation tools that strengthen local expertise and accelerate the implementation of best practices; attracting new investments and modernizing the country’s infrastructure.

At the same time, it should be mentioned that the military invasion of the Russian Federation in Ukraine and its economic consequences on the wider Europe led to a review of various policy areas in the EU and its neighbourhood to address the emerging challenges at the national and regional level from the perspective of energy security.

Important regional initiatives

The energy policies of the EU member states remain committed to the objectives of decarbonisation and integration of energy systems and to accelerating their implementation. At the same time, the current crisis requires policies to be adjusted to short- and medium-term energy security priorities. Therefore, beyond increasing the need for an adequate political cycle of energy security planning and monitoring, the need to integrate the energy issue within regional initiatives or to strengthen regional cooperation platforms has significantly increased.

In this context, we cannot ignore that the eighth Summit of the Three Seas Initiative (I3M), which includes 13 EU states bordering the Black, Baltic and Adriatic seas, was recently held in Bucharest. The Russian aggression against Ukraine and the port attacks by Russia with disastrous effects on grain exports were expected to be discussed at the summit. At the same time, the emphasis was placed on the importance of the unit in the field of infrastructure, and at the end, the President of Romania stated that the Three Seas Initiative has a “real capacity to increase strategic European connectivity on the north-south axis”. In the recent geopolitical context, I3M can become a tool for cooperation in the field of energy security. The Republic of Moldova has become, together with Ukraine, an associated participating state of I3M and will be increasingly involved in the Initiative’s energy, infrastructure and digitization projects.

In conclusion, from the perspective of the Republic of Moldova, energy security requires a holistic approach. Respectively, along with (i) improving and strengthening its energy policy; (ii) the development of relevant documents and strategies in ensuring energy security, as well as (iii) strengthening the capacity of the main energy actors to prevent risks and threats to energy security, it is necessary to inform and communicate publicly about the energy issue. This would allow to reduce the impact of misinformation in terms of energy security, contributing to awareness of the need for measures to increase energy accessibility, but also to promote good practices regarding empowering citizens to deal with energy crises.

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