

Moldova: the spectre of an energy crisis

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On 21 October Vadim Krasnoselsky, the 'president' of separatist Transnistria, declared that the Moldovan GRES power plant, which is located in the para-state and owned by the Russian state-owned company Inter RAO, would reduce its electricity production as of 24 October, and would decrease its supply to Moldovan territory controlled by the government in Chişinău by over half. On the same day, a state of economic emergency was imposed in the separatist region, which is scheduled to last for 11 days. Both decisions are a consequence of the gas shortages resulting from the recent actions taken by Gazprom: on 1 October it cut gas supplies (the main fuel for the Moldovan GRES) to Moldova (inc. Transnistria) by 30%.

Commentary

- The reduction of energy supplies from the Transnistrian power plant threatens to cause serious electricity shortages in Moldova. The country, which relies primarily on two CHP plants in Chişinău- controlled territory and a small hydroelectric power plant, can only meet around 20% of its needs, and the remaining 80% is supplied from other sources. About 70% of the power shortfall has so far been made up by imports from Transnistria (as of 24 October, that figure will fall to only about 27%), and the remainder (about 30%) has come from Ukraine. However, after massive Russian rocket fire on Ukraine's energy infrastructure, Kyiv suspended its exports of electricity on 11 October. The resulting shortage was covered to a significant extent by Romania; Moldova signed a contract with Bucharest on 13 October to supply 100 MW at first, and then an additional 35 MW over the following days. Imports from Romania are possible thanks to the synchronisation of the Moldovan power grid with the European ENTSO-E grid in March this year.
- At present, it is unclear whether Chişinău will be able to fully cover the electricity shortages caused by the reduction of supplies from Moldova's GRES. As recently as 21 October Andrei Spînu, Moldova's minister of infrastructure and deputy prime minister, announced that the country could increase its imports from Romania by another 100 MW (to 235 MW), but that agreeing a price will be an issue. Even though Chişinău has been purchasing electricity at the Romanian regulated price of around €90 per MWh, this rate is on average more than 50% higher than that which the Transnistrian power plant has offered so far, and around 20% higher than that offered by Ukraine. There is also a risk that Romanian producers may not be able to supply Moldova with enough electricity at the regulated prices, which would force Chişinău to purchase it at higher market prices (in September, the price of 1 MWh on Romania's OPCOM power exchange reached €380). However, Moldova will also probably be able to purchase electricity from other

European countries. One short-term solution to the energy shortage which the government has announced will involve supplying gas to the Transnistrian power plant from (presumably) Moldova's own reserves, which will make it possible to produce more electricity. Such a mechanism was already been used to balance the electricity system immediately after the imports from Ukraine were halted.

- The energy crisis in Moldova is likely to worsen in the near future. If Gazprom cuts gas supplies to Transnistria by another 40% in November, as Tiraspol has already announced, this will further reduce the production of electricity for Moldova's right bank. It seems unlikely that Russia is planning to reduce gas supplies to Transnistria alone, and the cuts will most likely cover the whole of Moldova. Chişinău fears that in November, Gazprom (which has so far not booked any additional capacity on the Ukraine/Moldova interconnector) may deliver as much as 65% less gas to the right bank of the country than provided for in the contract. Chişinău has been preparing for such an eventuality for a long time: as of 21 October, the country had managed to accumulate gas reserves of 81.5 mcm in tanks in both Romania and Ukraine (which corresponds to around two weeks' average consumption in November); the country's thermal power stations and several other large industrial plants have abandoned the use of gas in favour of fuel oil, and public buildings are being connected to municipal heating systems. Nevertheless, if the gas supplies are further reduced or stopped completely, Moldova will be forced to buy gas on spot markets at much higher prices than those it currently pays to Gazprom.
- The reduction of gas supplies to Moldova, and the resulting disruption to the supply of electricity from Transnistria, are part of Kremlin policy. It is interested in destabilising the situation in the country and getting the pro-European Action and Solidarity Party (PAS) government removed from power. Both the potential power cuts and the rise in tariffs associated with the need to import more expensive gas and electricity will result in increased social discontent and stoke public protests. Many of these, which have taken place regularly over recent weeks, have been organised by the populist and pro-Russian Şor Party. The cuts and price rises will also exacerbate the decline in the current government's popularity over recent months, which is mainly linked to the economic situation. PAS, which received over 50% support in the parliamentary elections in July 2021, can now count on only 20–25% of the vote in October, according to the latest available polls.