

Moldova: diversifying supplies and curbing Gazprom's influence

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On 9 June, the state-owned energy company Energocom, which trades in gas and electricity in Moldova, signed the two gas supply contracts necessary to cover the country's demand in the summer season. The agreements were signed with the Greek company DEPA (which is 65% owned by the Greek Treasury) and with a Romanian company whose identity has not been revealed for contractual reasons. Neither the price nor the volume of gas to be purchased under the contracts has been revealed. However, according to Energocom's CEO Victor Bînzari, DEPA's offer was "very close to the Moldovan side's expectations". Part of the purchased gas is to be delivered to storage facilities located in Ukraine which Moldova uses; currently, the Moldovan company stores around 100 mcm of gas there and plans to increase this volume to 123 mcm.

Commentary

- The gas supply contracts with the Greek and Romanian companies are another step in the process of Moldova reducing its reliance on Gazprom, which until recently was the only supplier of natural gas to the Moldovan market. Moldova's pro-Western government has consistently pursued this goal since the end of 2021. In doing so, it has adopted a dual-track approach: it is interested in both maximising the diversification of gas supply sources (by striking deals with numerous non-Russian suppliers) and limiting the role of Moldovagaz holding, which until recently was a monopolist (importer, supplier and operator) in the Moldovan gas sector and 63% of which is controlled by Gazprom. The Moldovan government's policy has brought visible results over the last six months. Since December 2022, gas has been supplied to the Moldovan network in parallel by two companies: Moldovagaz (under a five-year contract signed in October 2021) and Energocom, which imports gas from suppliers other than Gazprom and manages the gas stored in tanks located in Ukraine and Romania. Energocom meets the vast majority of the demand (even 100% between December 2022 and March 2023) in right-bank Moldova (the territory controlled by the government in Chisinau, excluding Transnistria), while Gazprom covers the needs of separatist Transnistria. According to a declaration in June by Energocom's CEO, Moldova is currently cooperating with 15 gas suppliers. The signing of the contract with DEPA marks another stage in the development of energy relations between Moldova and Greece in recent months. In April this year, Energocom signed a framework contract with this Greek company for test gas supplies. In the same month, Moldova imported about 2250 cm of gas (worth €477 per 1000 cm) from Greece

under this contract.

- In the near future, the Moldovan government will try to implement the assumptions of the EU's third energy package, which include unbundling Moldovagaz into three separate companies tasked with the purchase, transmission and distribution of gas in the country. So far, the implementation of the package has been postponed several times (it was originally supposed to take place in 2016, then in 2020, and finally in February 2021) due to resistance from Russia, which does not want to lose its influence in the Moldovan energy sector. To this end it has consistently opposed breaking the company up. On 12 June, Moldovagaz's CEO announced that due to the lack of consensus among the shareholders, the company had not submitted the documents necessary to complete the unbundling and certification process of the transmission company Moldovatrangaz (owned by Moldovagaz) on time. It is possible that as a result, ANRE (the Moldovan regulator of the energy market) will decide to force unbundling by revoking Moldovatrangaz's transmission licence and granting it to another operator licensed in the country – Vestmoldrangaz (its majority shareholder is the Romanian gas network operator Transgaz), which will then also handle the domestic balancing market.
- The diversification of gas supplies is of key importance for the government in Chisinau due to Russia's aggressive moves. Moscow has traditionally used Moldova's dependence on Russian gas to put political and economic pressure on the country. One recent example was the decision taken last October to limit the amount of gas sent to Moldova in Q4 2022. Contrary to the provisions of the contract then in force, Gazprom supplied only 5.7 mcm of gas per day to Moldova over the following months, which accounted for approximately 70%, 50% and 43% of the volumes contracted for October, November and December respectively. The cut in supplies led first to a reduction (in October) and then to a complete suspension (from 1 November) of electricity transmission from separatist Transnistria to right-bank Moldova. The Moldavian GRES power plant, which is located in this Russian-controlled region, has been covering as much as 80% of Moldova's electricity needs since 11 October, when Ukraine suspended electricity exports. This situation led to power shortages in Moldova and forced Chisinau to purchase energy from Romania at a much higher price than before. Supplies from Transnistria were restored in December 2022.