

# *Energy Community*

**Workshop: Addressing energy poverty in the  
context of high energy prices and supply concerns**



**Republic of Moldova**

**June 10, 2022**

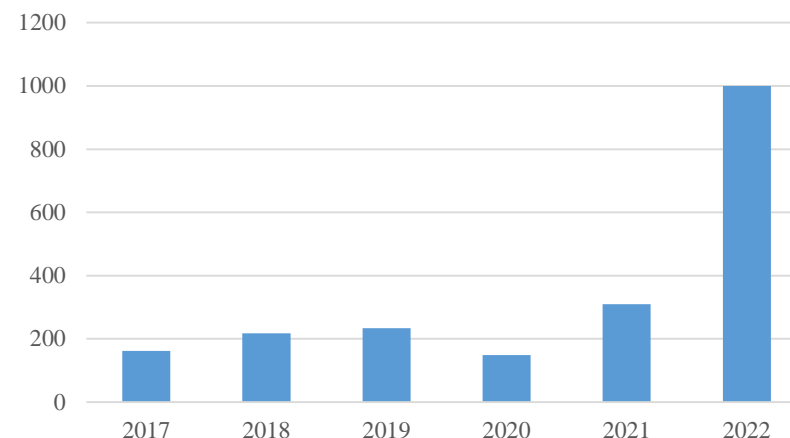


# Addressing energy poverty in the context of high energy prices and supply concerns

## Gas Market

- **100%** of gas is imported from the largest Gas supplier – Gazprom.
- The gas prices are not fixed.
- The contract signed by Moldovagaz and Gazprom in October 2021 applies a price formula based on a certain ratio of the European gas market prices (TTF) and oil price.
- Record high prices in Europe caused by economic recovery post Covid-19 and supply security concerns prompted a sharp increase in gas prices in Moldova
- Gas prices rose from **USD 265/1000 m3** in October 2021 to **USD 1193/1000 m3** in April 2022.

Average gas prices in Moldova USD/1000 m3





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## Electricity

- Moldova produces only **20%** of its electricity needs. The rest of **80%** of electricity is imported from the gas-fired thermal power plant located in the Transnistria region.
- Only **6%** of the electricity market is supplied from **renewable sources** of energy.
- Following the sharp rise in gas prices, the average price of electricity supplied to households increased by **43.8%** in **April**, 2022. Another increase of **21,6 %** was approved by the energy regulator on **June 8**, 2022.
- The rising prices increased further the energy poverty of the population.



# Addressing energy poverty in the context of high energy prices and supply concerns

## Energy Poverty

- Moldova was struggling with energy poverty long before the current energy crisis.
- Since 2021, the country is exposed to a higher risk of gas disruptions due financial debts and the war in Ukraine.
- **60%** of Moldova's population lives under condition of energy poverty, spending more than **10%** of their budget to cover energy bills (according to a study done by UNDP).
- Energy poverty in Moldova is largely due to:
  - *Limited access to modern energy infrastructure;*
  - *3 to 4 times increase in energy prices.*

The energy crisis have put significant pressure on public finances and the ability of the most vulnerable citizens to afford to pay their winter heating bills.



# Addressing energy poverty in the context of high energy prices and supply concerns

## **Short-term measures** taken by authorities to diminish the impact of energy poverty

- In December of 2021, the Government adopted the *National Energy Crisis Action Plan (NECAP)\** to support vulnerable groups and improve long term energy security.
- The goal of **NECAP** is to mitigate the impact of rising energy prices on the population, to protect the most vulnerable groups and enhance the energy security and efficiency in order to prevent similar situations in the future.
- To achieve this goal the government has set **3 specific targets**:
  1. Reduce the impact of rising energy prices on household consumers;
  2. Support the population, in particular the vulnerable groups to overcome the current difficulties;
  3. Ensure the country's long-term energy security and prevent similar energy crises.



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## Short-term measures taken by authorities to diminish the impact of energy poverty

### 1. Actions oriented to reduce the impact of rising energy prices on household consumers.

- Compensate the gas bills for households and support consumers with their heating bills, during December 2021 - March 2022. (Law No. 192/25.11.2021).

The compensation for natural gas consumption is calculated as follows:

- *67%* of the gas bills for a consumption of up to 50 m<sup>3</sup>/month (November - December 2021) and *79,8%*, in the context of newly established price (January - March 2022);
- *50 %* of the gas bills for a consumption of up to 100 m<sup>3</sup>/month (November – December 2021) and *69,5%*, in the context of newly established price (January - March 2022);
- *67%* for heat consumption of up to 1 gcal/month (November – December 2021) and *80,0%* in the context of newly established tariff for October 2021, and multiplied by the volume of heating consumed in the limits of up to 1,5 Gcal per month during January - March 2022.



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## Short-term measures taken by authorities to diminish the impact of energy poverty

### 2. The support of the population, especially, vulnerable groups to overcome the difficult socio-economic situation.

- Extend the financial support for the most vulnerable households during winter and support certain categories of the population through additional measures.
- By Law No. 190/25.11.2021, the government increased the multiplier for the guaranteed minimum monthly income, used to establish the right for aid during the cold period of the year, from 2.2 to 2.6 (available between 01.11.2021-31.03.2022). So, the minimum guaranteed monthly income increased **from MDL 2 631.2 to 3 109.6**.
- By the Government Decision No. 332/10.11.2021, the social aid during the cold period increased **from MDL 500 to 700**. From December 2021 to March, 2022, **39 166** disadvantaged families have benefited from social assistance. And during the cold period of the year, on average – 224 040 families benefited from social assistance.



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## **Short-term measures** taken by authorities to diminish the impact of energy poverty

### **3. Ensuring Moldova's long-term energy security and preventing other energy crises.**

An important step to ensure the long-term energy security was the harmonization of national electricity legislation with European Union legislation.

The Law No. 20 of February 3 2022, was adopted to amend the Law No. 107/2016 on electricity to ensure a stable, open and competitive energy market. The consumers can purchase of electricity from at least two sources.

Amendments to the **Law on Gas no. 108/2016** that include: the public service obligation for suppliers to keep mandatory stocks of gas for 2 months; the introduction of harmonized transmission tariffs; the regulation of the trading activity; unbundling of TSO etc.

Launching “Moldova Energy Efficiency” Project in order to improve the energy efficiency of public buildings and reduce the energy consumption. This will bring significant environmental benefits through energy saving and will reduce the carbon emissions (estimated savings: 16.8GWh/year for electricity and 55.3GWh/year for heat).





## Addressing energy poverty in the context of high energy prices and supply concerns

**Long-term measures** taken by the authorities to diminish the impact of energy crisis:

- Implement the legal commitments of the Republic of Moldova, as a Contracting Party to **Energy Community Treaty** as well as the commitments to **Paris Agreement** on climate change
- Improve the readiness of the responsible authorities to react to emergency situations related to the energy sector
- Draft energy policies and regulations measures to in order to increase the energy efficiency, promote and increase the energy from renewables and improve the energy market functioning
- Defining and identifying the vulnerable consumers. The necessary measures on supporting the vulnerable consumers will be stipulated in the national legislation.



# Addressing energy poverty in the context of high energy prices and supply concerns

## The support from the EU

- To reduce the impact of the crisis and alleviate the burden of energy poverty, the European Union has given Moldova a grant of 10 million euros for the program meant to fight energy poverty. The program was launched on June 2 and will be implemented by UNDP.
- The new program, entitled "*Addressing the impact of the energy crisis in the Republic of Moldova*", will strengthen the capacity of the Government and the energy sector to review and improve basic processes and coordination mechanisms.
- The measures are essential to support Moldova's efforts to implement key reforms in the energy sector, as well as to strengthen the institutional capacity to respond to the current and potential energy crisis.
- The program will help – define of energy poverty in order to develop the necessary mechanisms to alleviate the energy burden faced by vulnerable groups in the Republic of Moldova.



# Addressing energy poverty in the context of high energy prices and supply concerns

## The support from the **EU**

The program "**Addressing the impact of the energy crisis in the Republic of Moldova**" includes:

- an extensive information campaign to encourage homeowners to replace old appliances with more energy-efficient ones.
- testing energy-efficient and renewable energy solutions that can be used in energy-poor households.
- several residential blocks will be provided with horizontal heating distribution systems
- solar panels will be installed on several medical institutions to help reduce energy costs.



# Addressing energy poverty in the context of high energy prices and supply concerns

## The support from the EU

The **benefits** of the program "**Addressing the impact of the energy crisis in the Republic of Moldova**“:

- **45 000** of energy poor and vulnerable families will reduce their energy bills following the campaign on replacing old appliances with more energy-efficient ones.
- **80** energy poor and vulnerable families will reduce their energy bills following the Green House program
- At least **5** residential blocks will upgrade their heating systems to save energy

According to some studies - if the right energy efficiency measures are applied for residential buildings the consumption of energy can be reduced by 61%.



# Addressing energy poverty in the context of high energy prices and supply concerns

## The support from the EU

The program "**Addressing the impact of the energy crisis in the Republic of Moldova**" will contribute to:

- the security and energy independence of the Republic of Moldova.
- strengthening the Government's capacity, by investing in renewable energy projects and by raising public awareness of energy efficiency and its benefits.
- transposition of the EU's Third Energy Package into both primary and secondary legislation
- transposition of a number of "Clean Energy for All Europeans" directives and regulations, which address energy efficiency, promote renewable energy sources and good governance

The new 10 million EURO program is a complementary support, in addition to the 60 million euro as emergency assistance to overcome the energy crisis and 5 million euro to support the population vulnerable to the energy crisis, provided by the European Union