

Ensuring Energy Stability: How Moldova aligns its oil sector with the transposition of the Emergency Oil Stocks Directive

Constantin BOROSAN, October 15, 2024

16th OIL FORUM

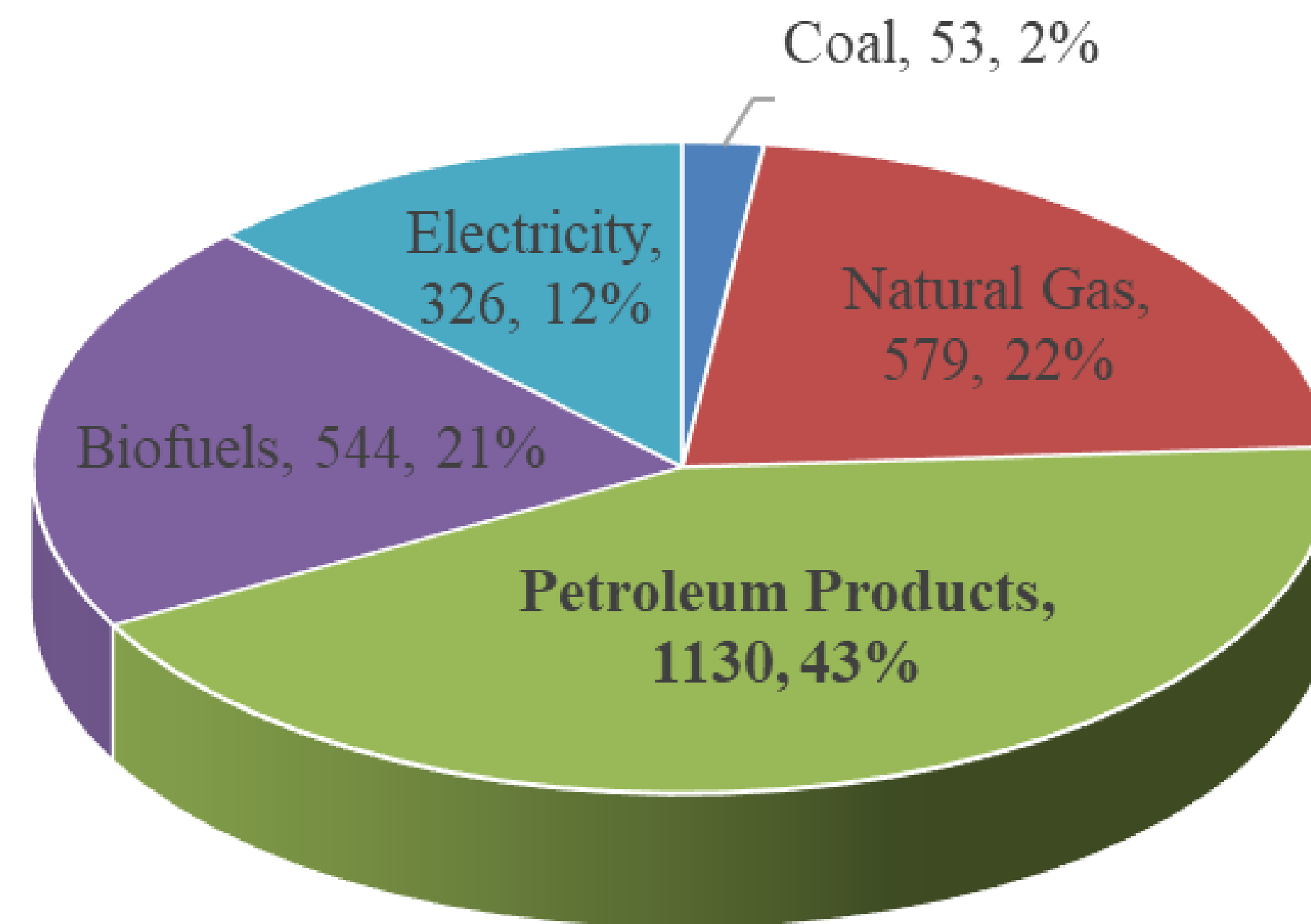


MINISTERUL ENERGIEI
AL REPUBLICII MOLDOVA

STATE OF PLAY

•Moldova is completely dependent on imports of petroleum products to meet domestic oil demand. In addition, its sources of supply are not diversified, as almost all gasoline and diesel (the two most in demand fuels) supplied to Moldova come from Romania (either from oil refineries in Romania or through the Romanian port of Constanta).

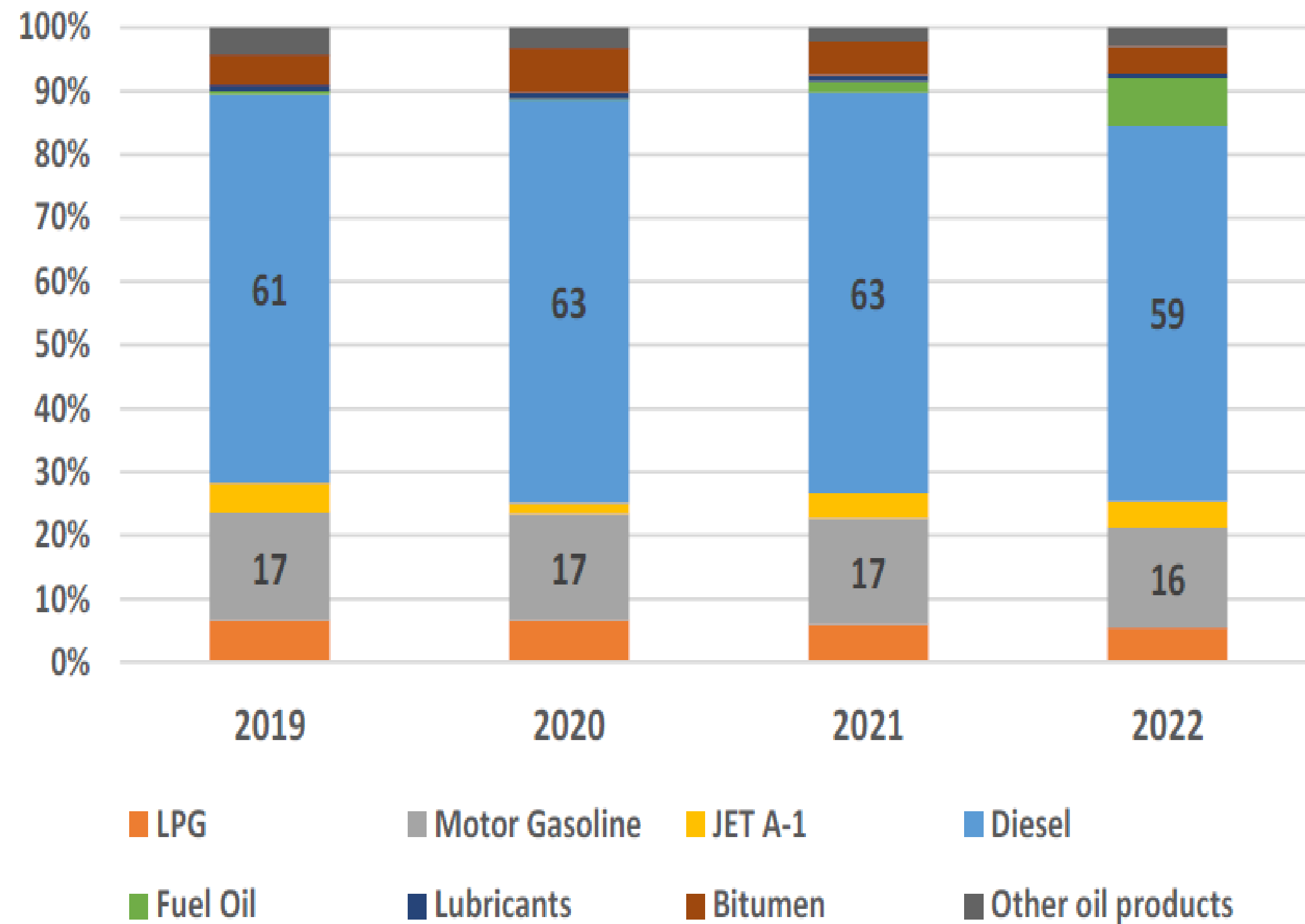
•The uninterrupted and accessible supply of petroleum products is an issue of major importance for the Republic of Moldova, in particular for its transportation and agriculture sectors.



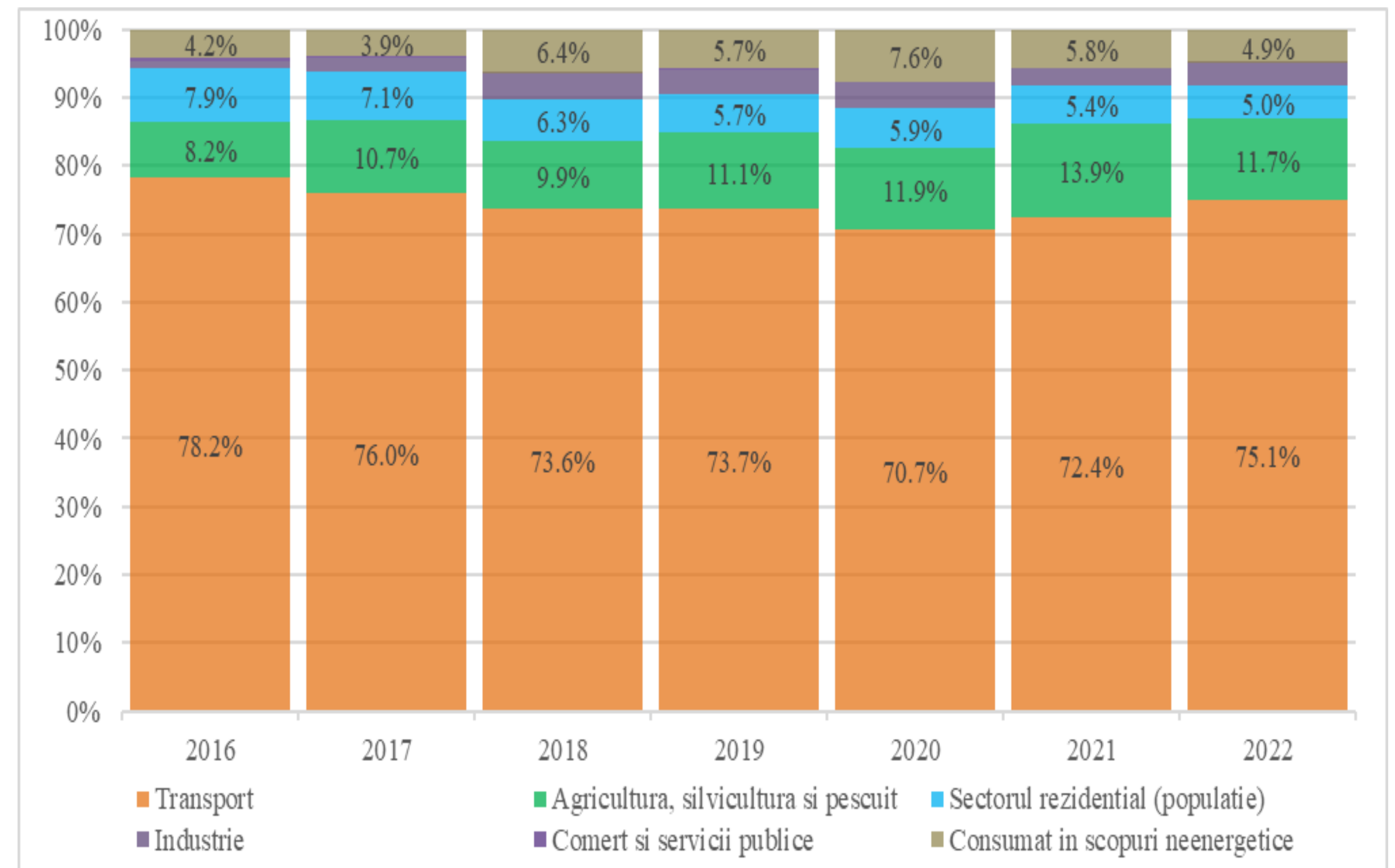
STATE OF PLAY



OIL PRODUCTS' MARKET SHARE



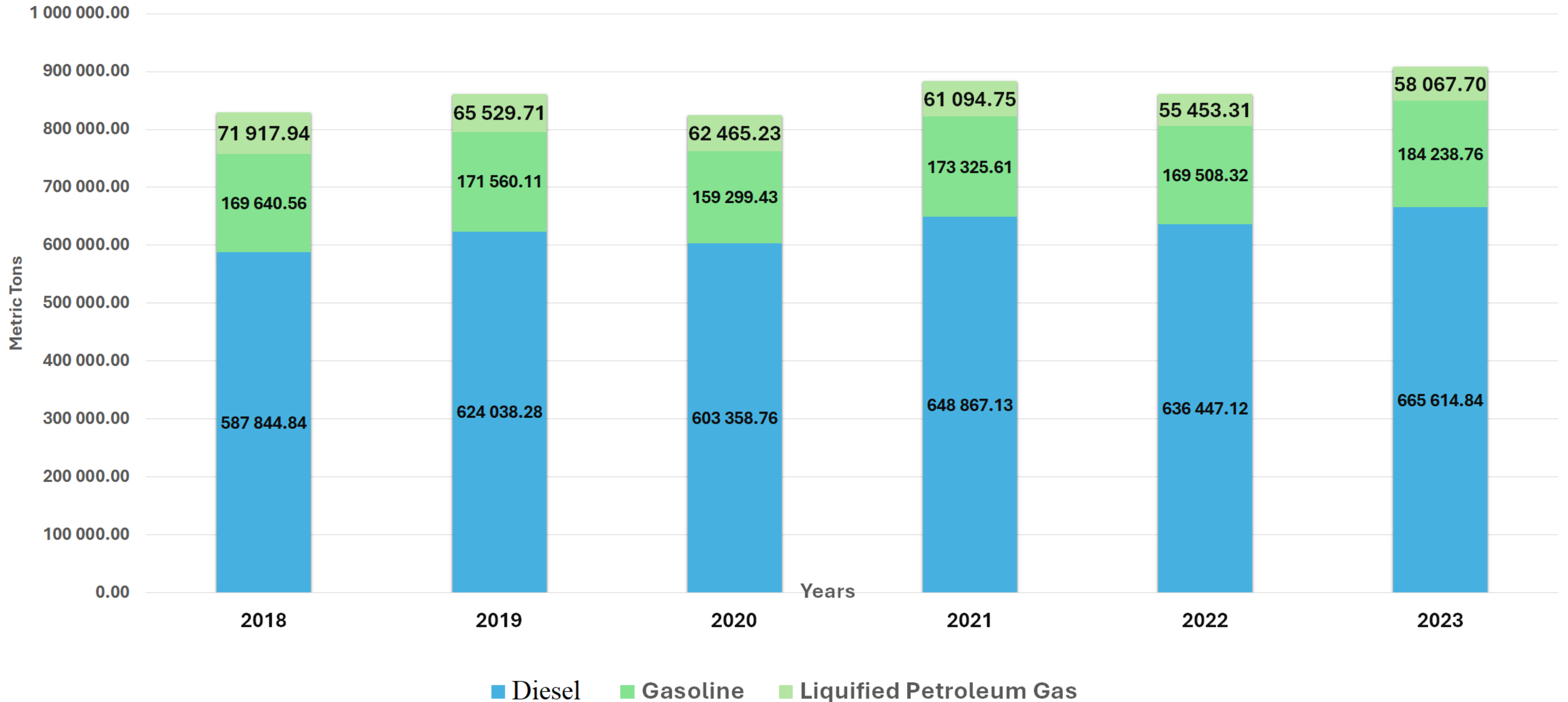
EVOLUTION OF FINAL CONSUMPTION OF PETROLEUM PRODUCTS IN THE REPUBLIC OF MOLDOVA BY CONSUMPTION SECTORS IN 2016-2022, % OF TOTAL CONSUMPTION



STATE OF PLAY



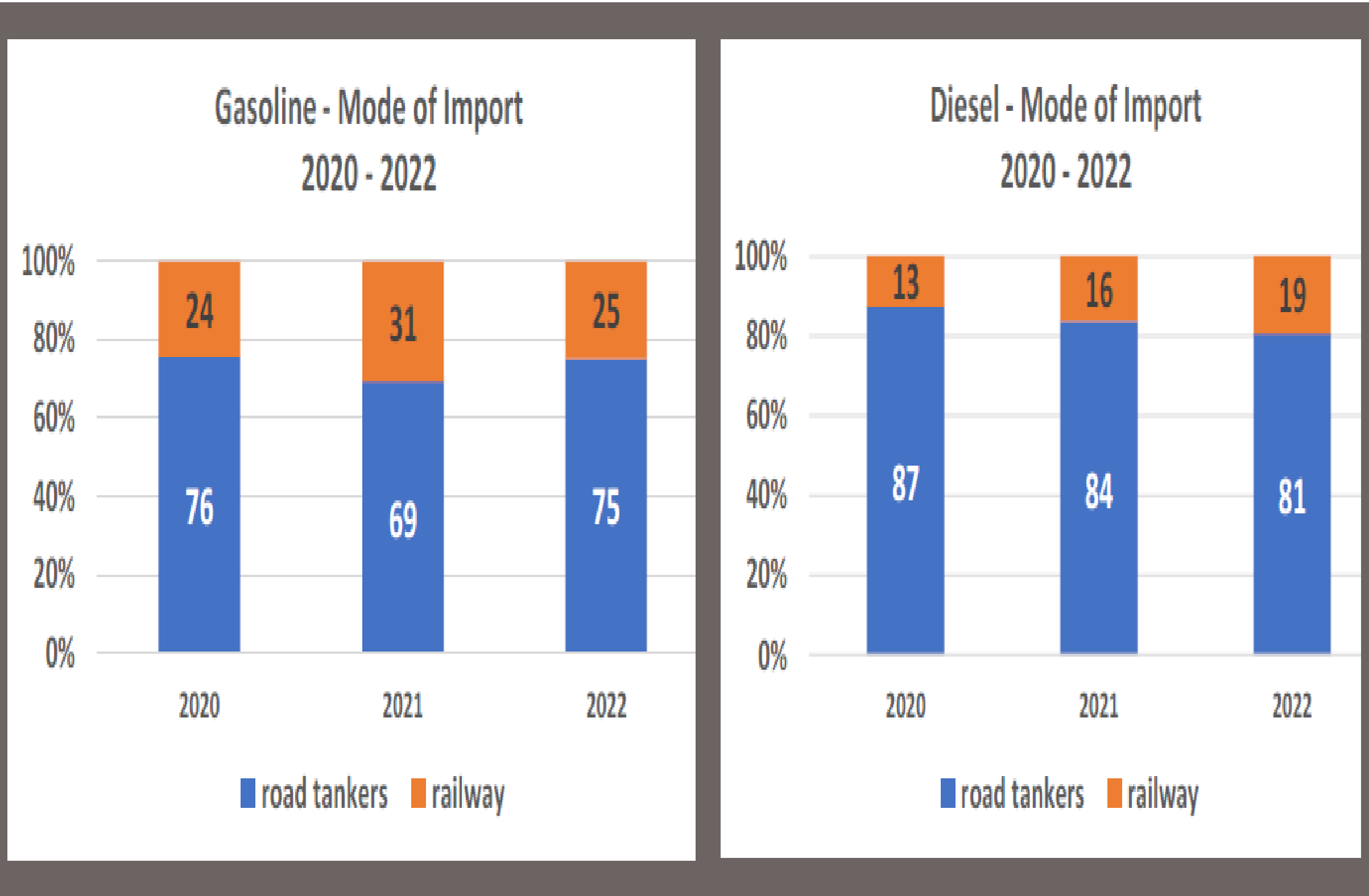
Graphical representation of petroleum products imports for the period 2018-2023



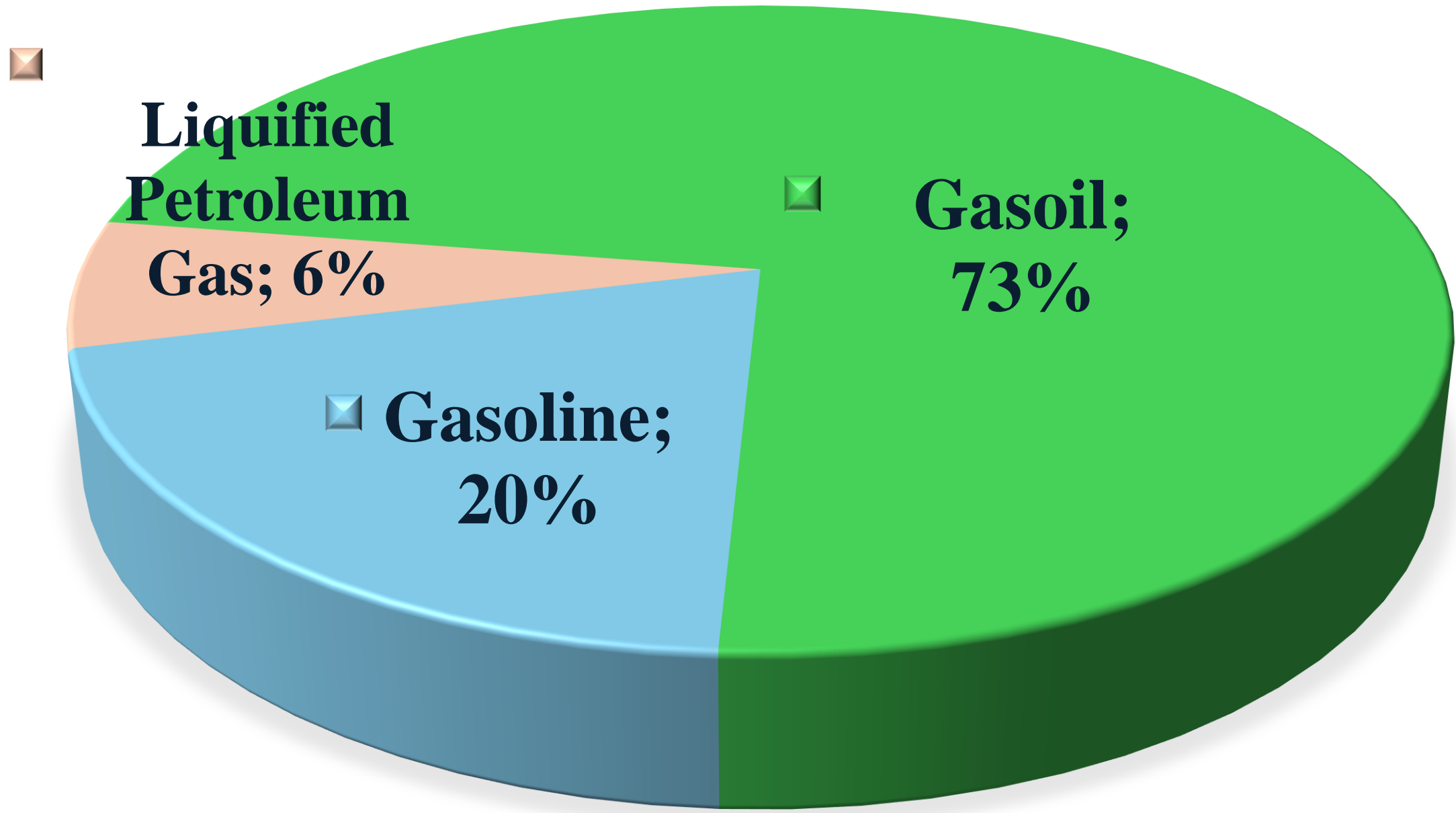
STATE OF PLAY



MODE OF GASOLINE AND DIESEL IMPORT TO MOLDOVA OIL PRODUCTS' MARKET SHARE

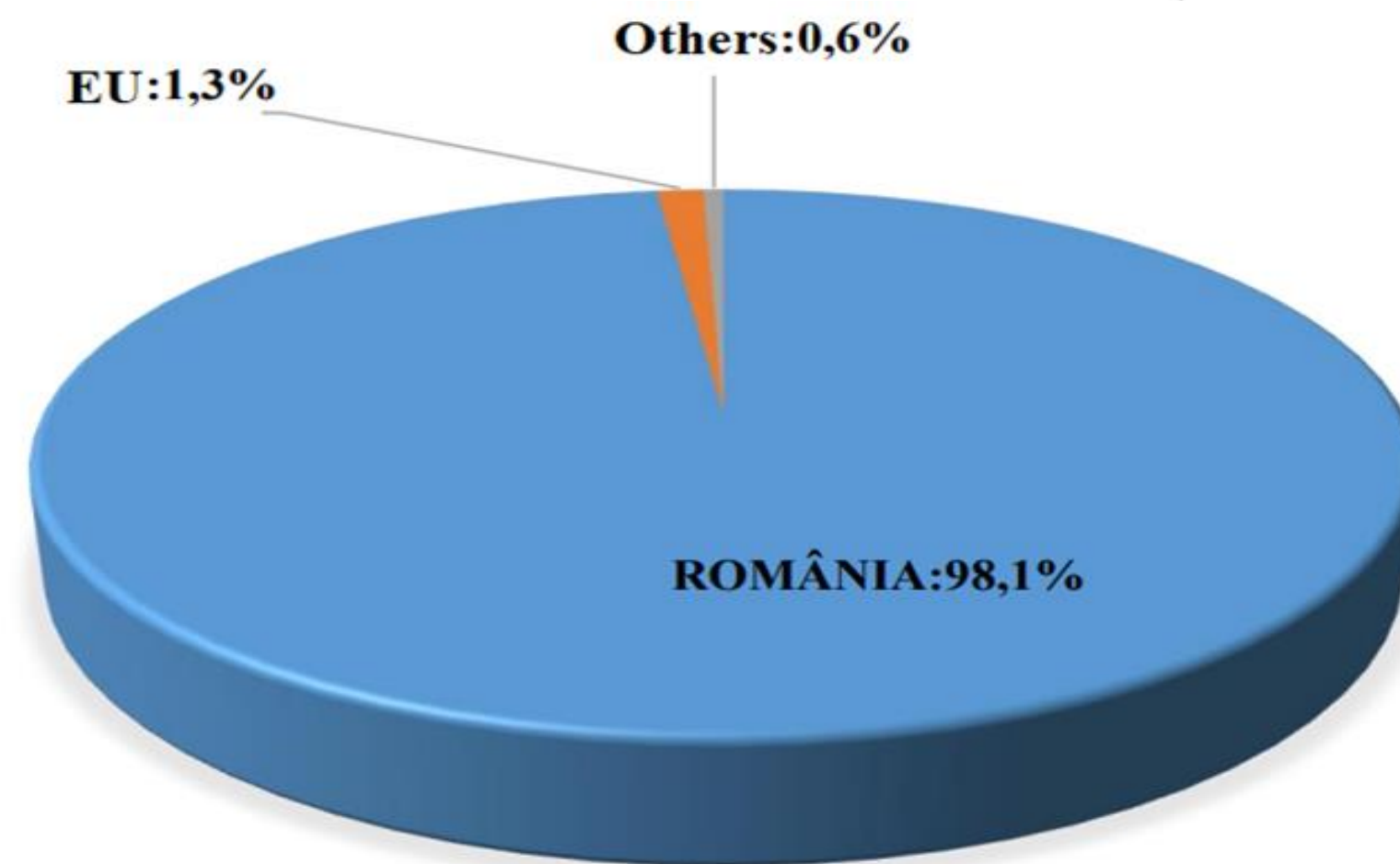
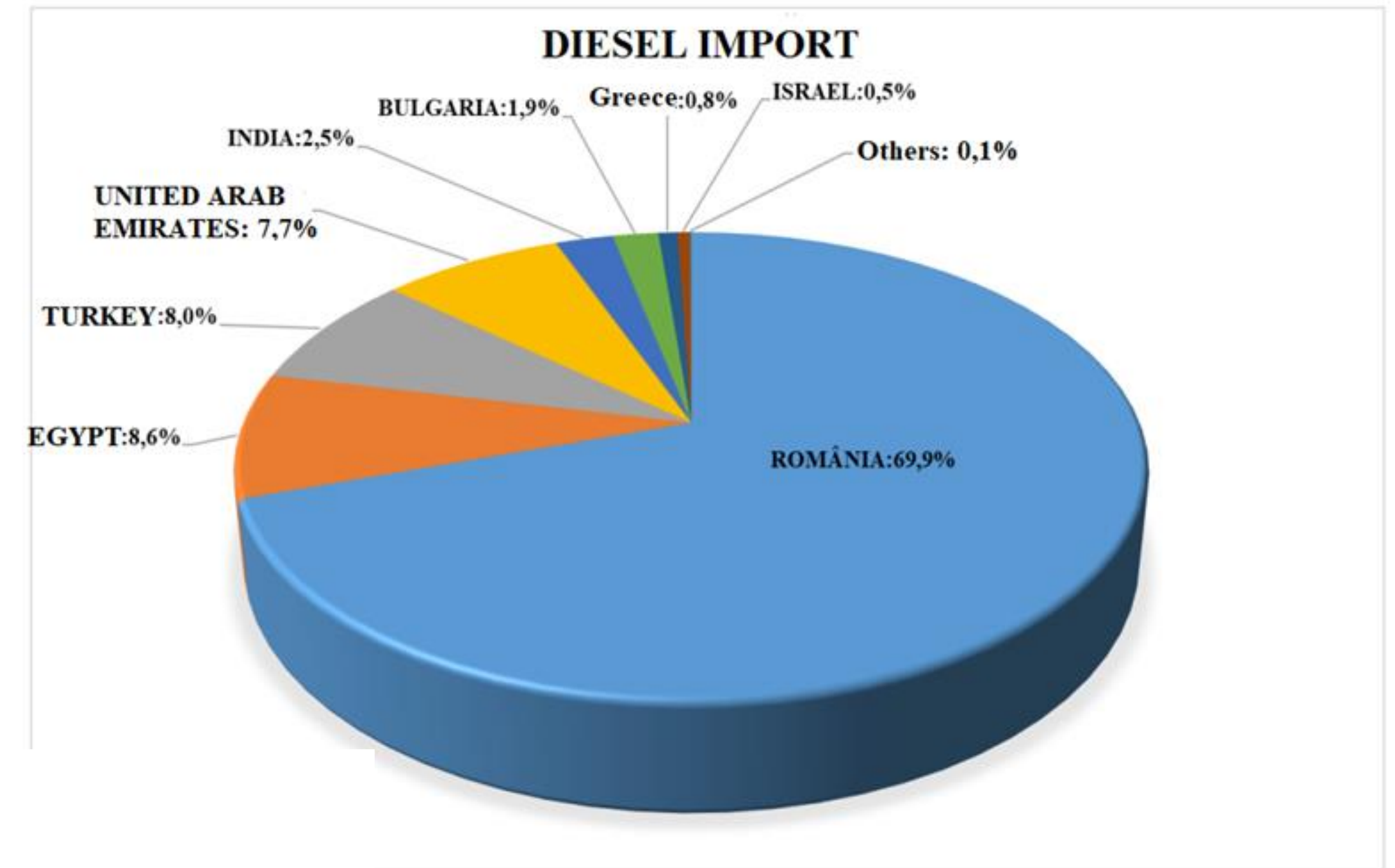
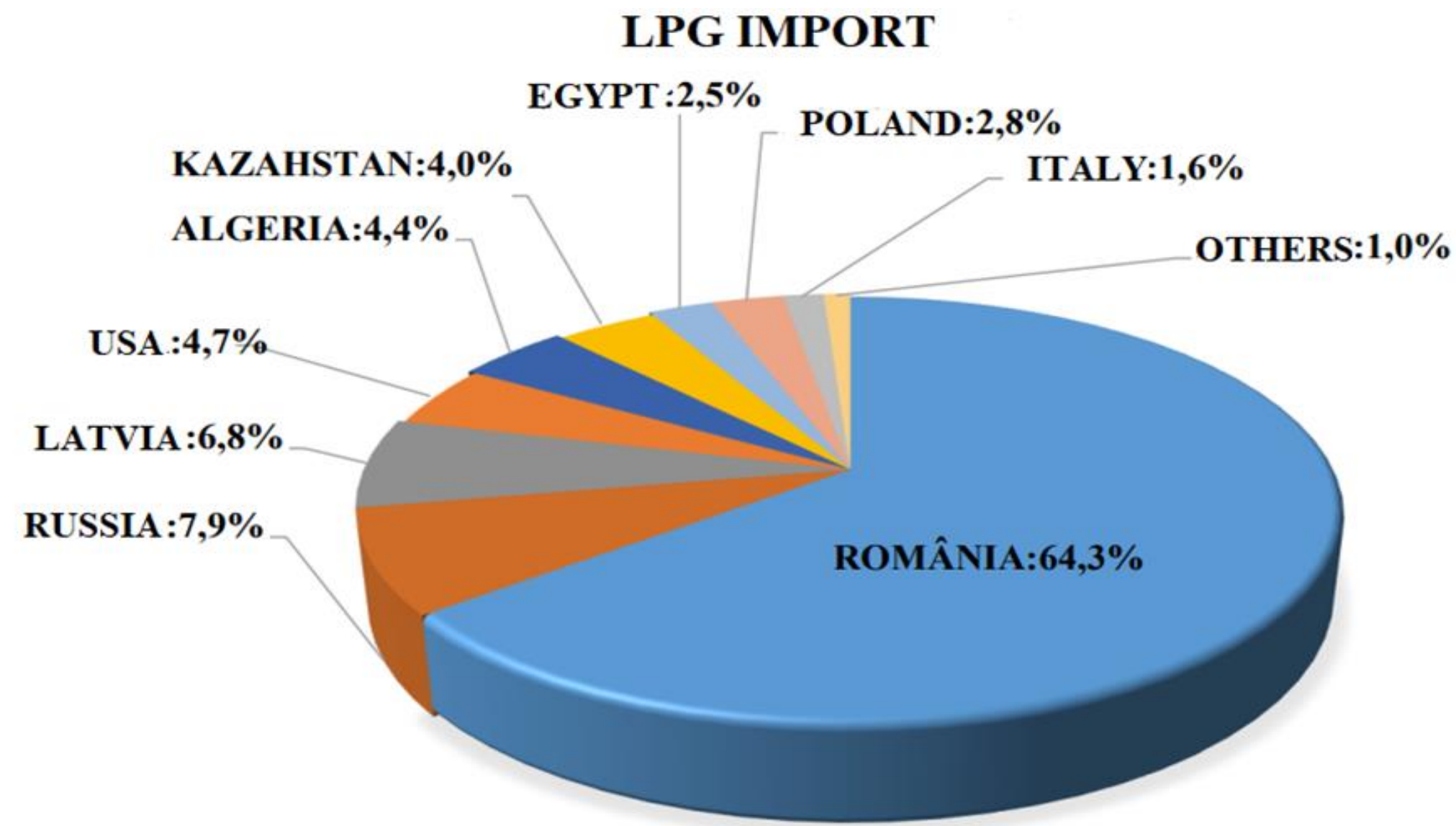


THE STRUCTURE OF PETROLEUM PRODUCT IMPORTS IN 2023



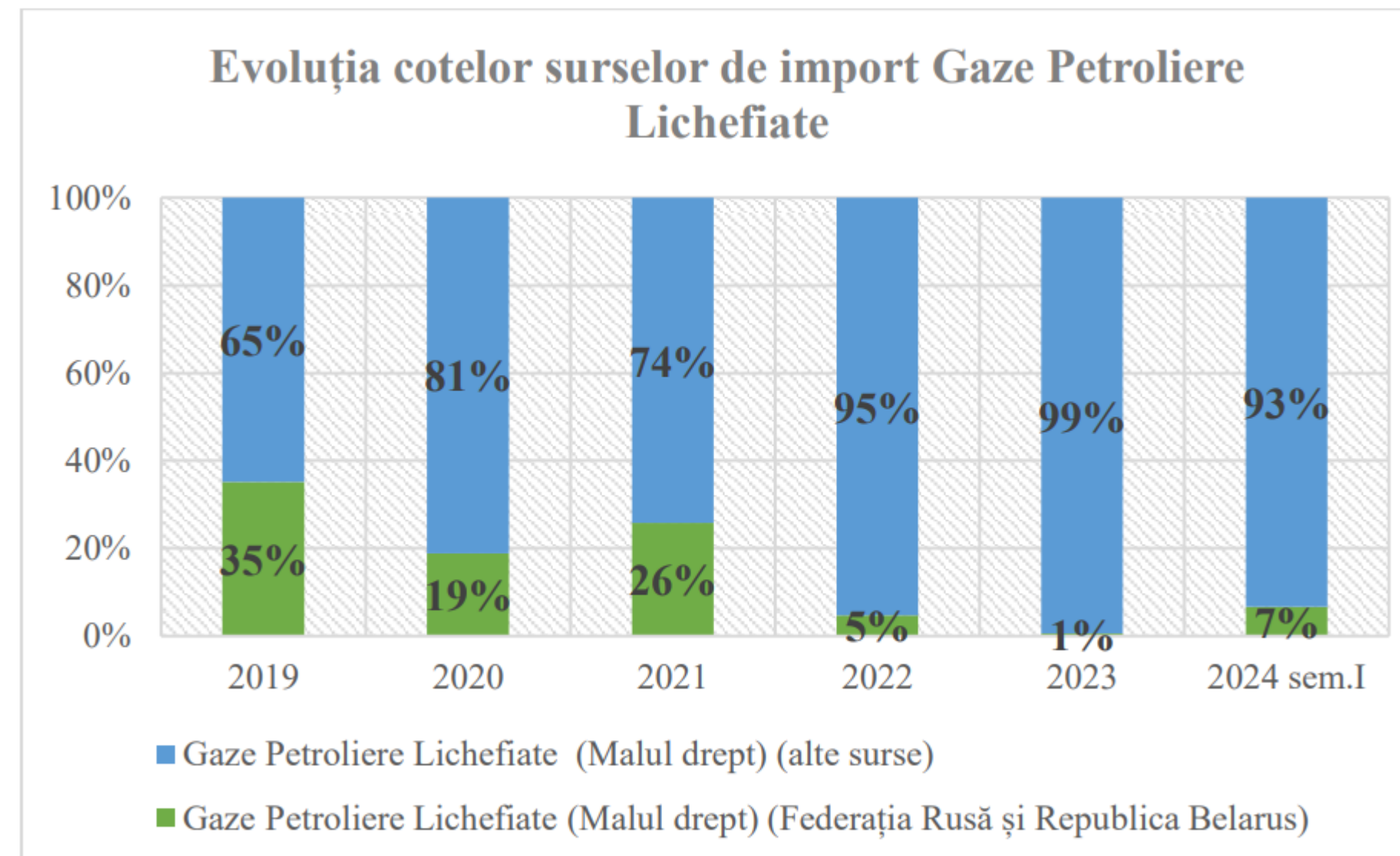
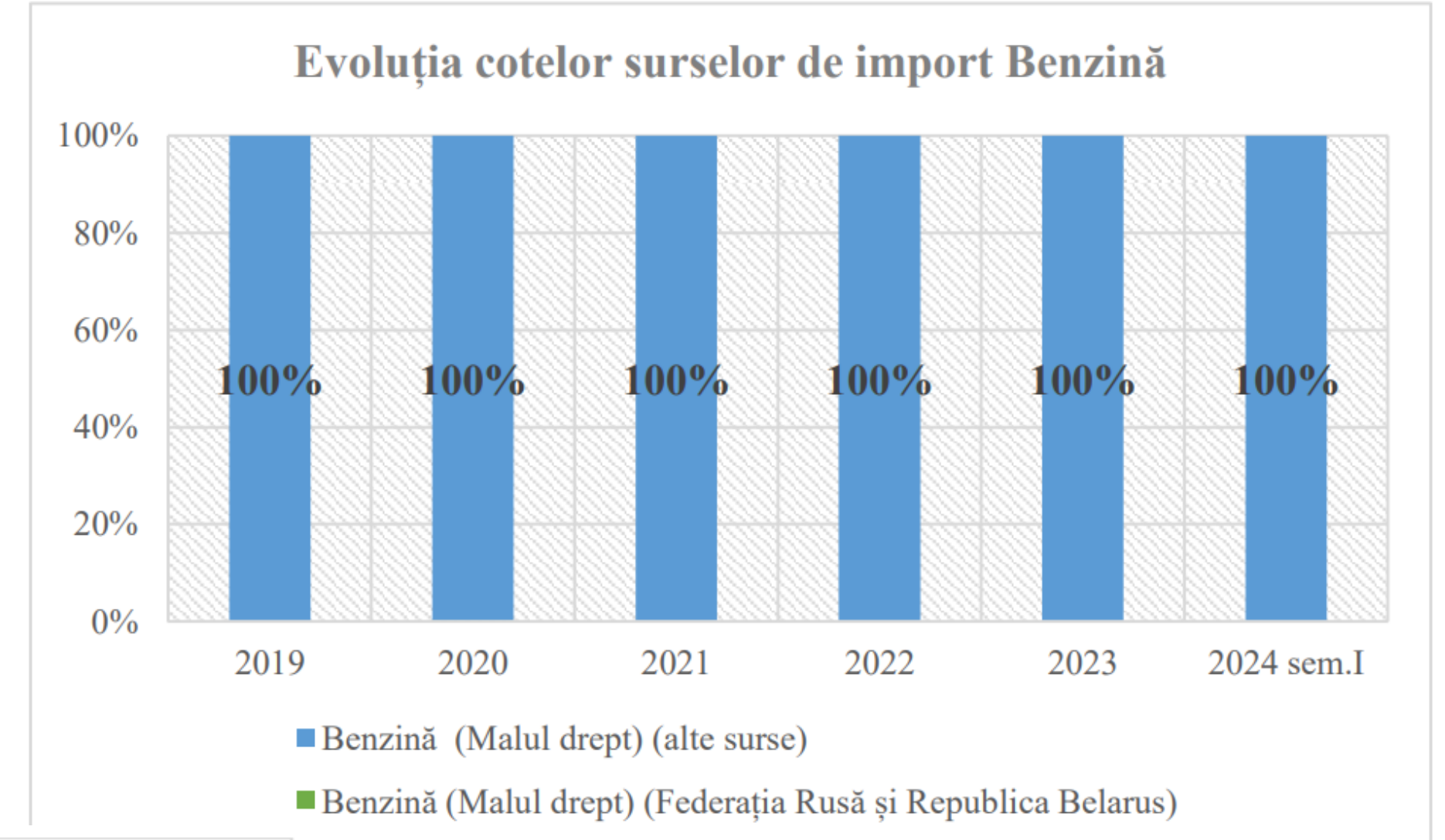
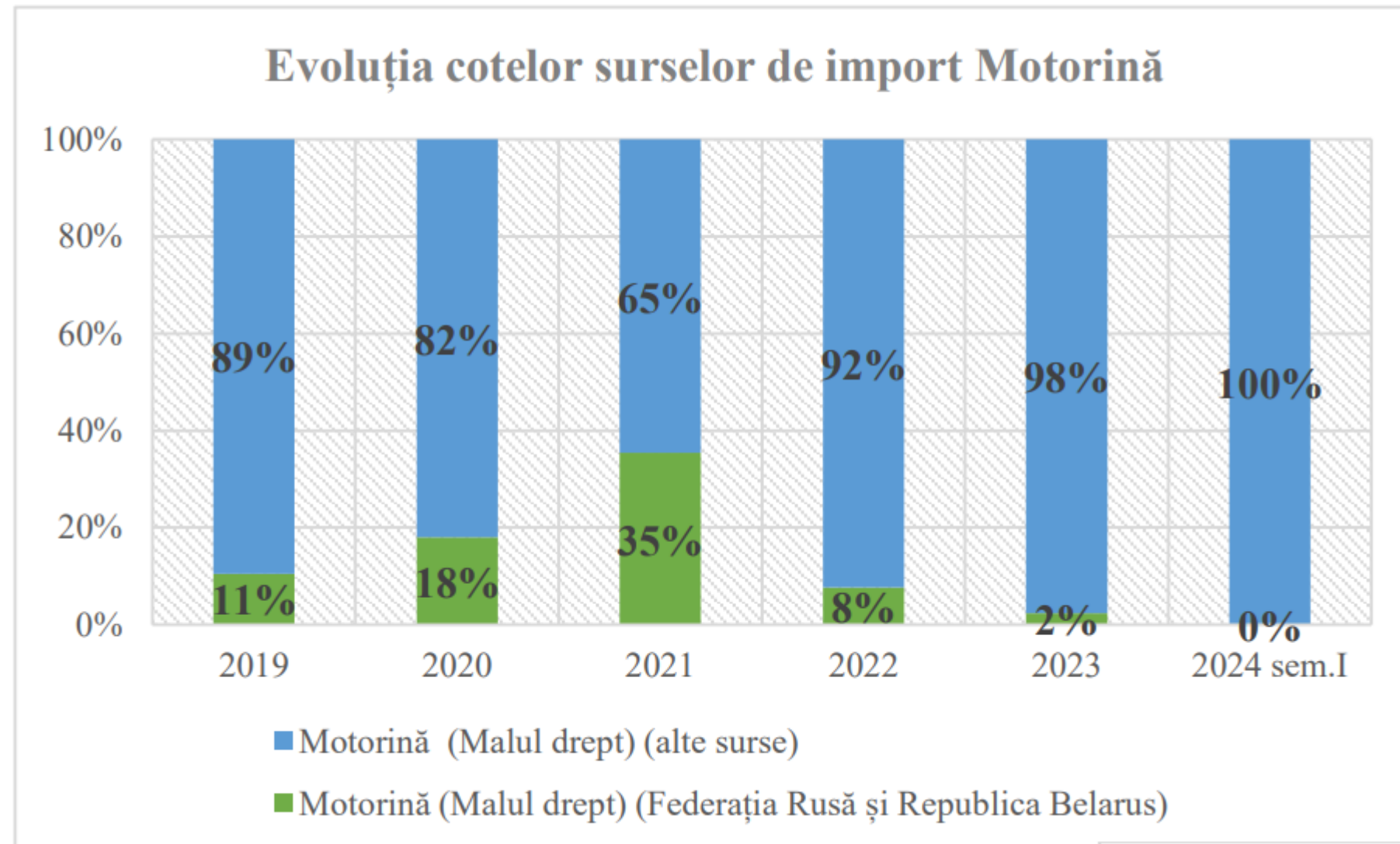
STATE OF PLAY

DISTRIBUTION BY COUNTRY OF ORIGIN OF IMPORTED PETROLEUM PRODUCTS IN THE FIRST SEMESTER OF 2024



STATE OF PLAY

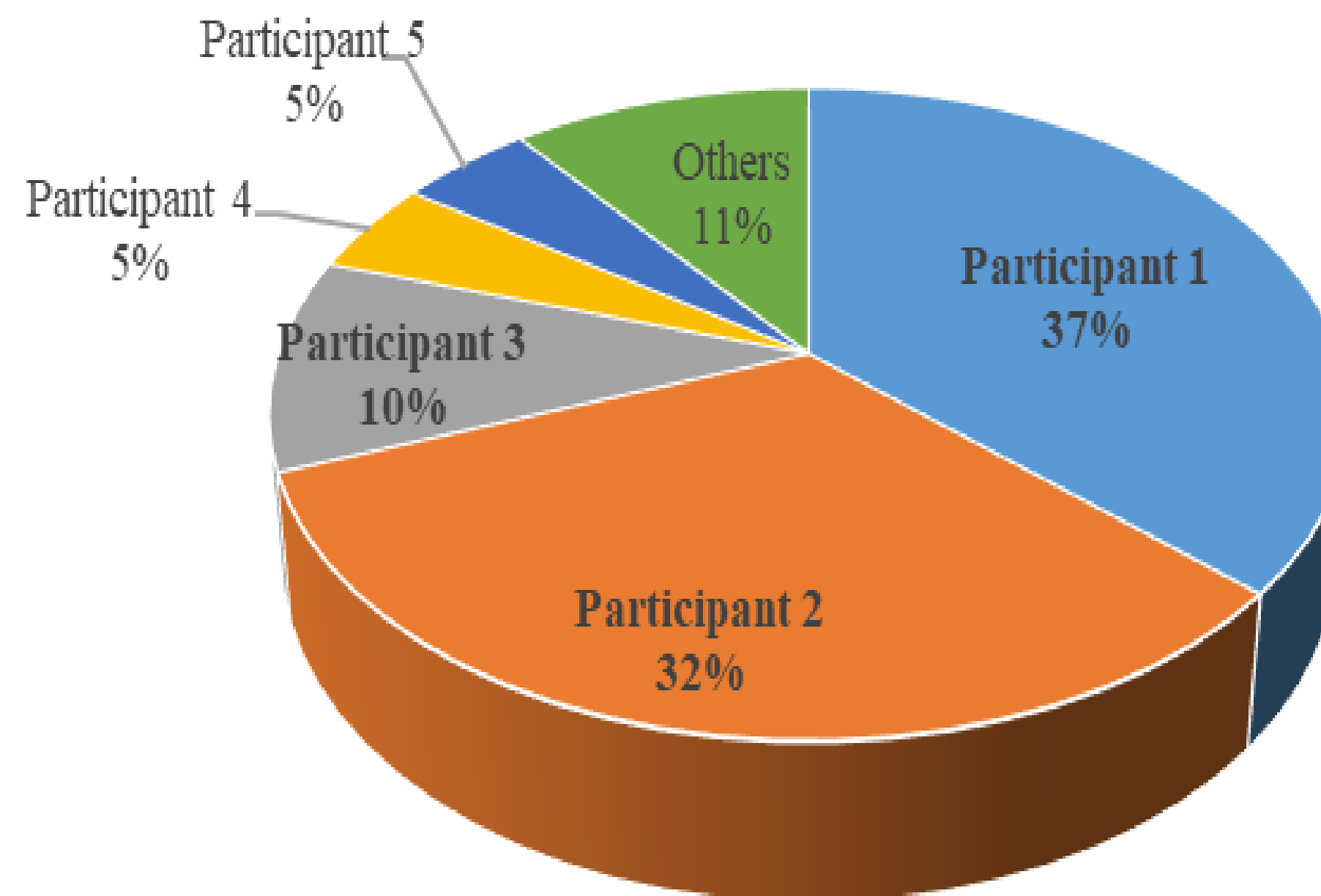
EVOLUTION OF IMPORTS BY ORIGIN



STATE OF PLAY

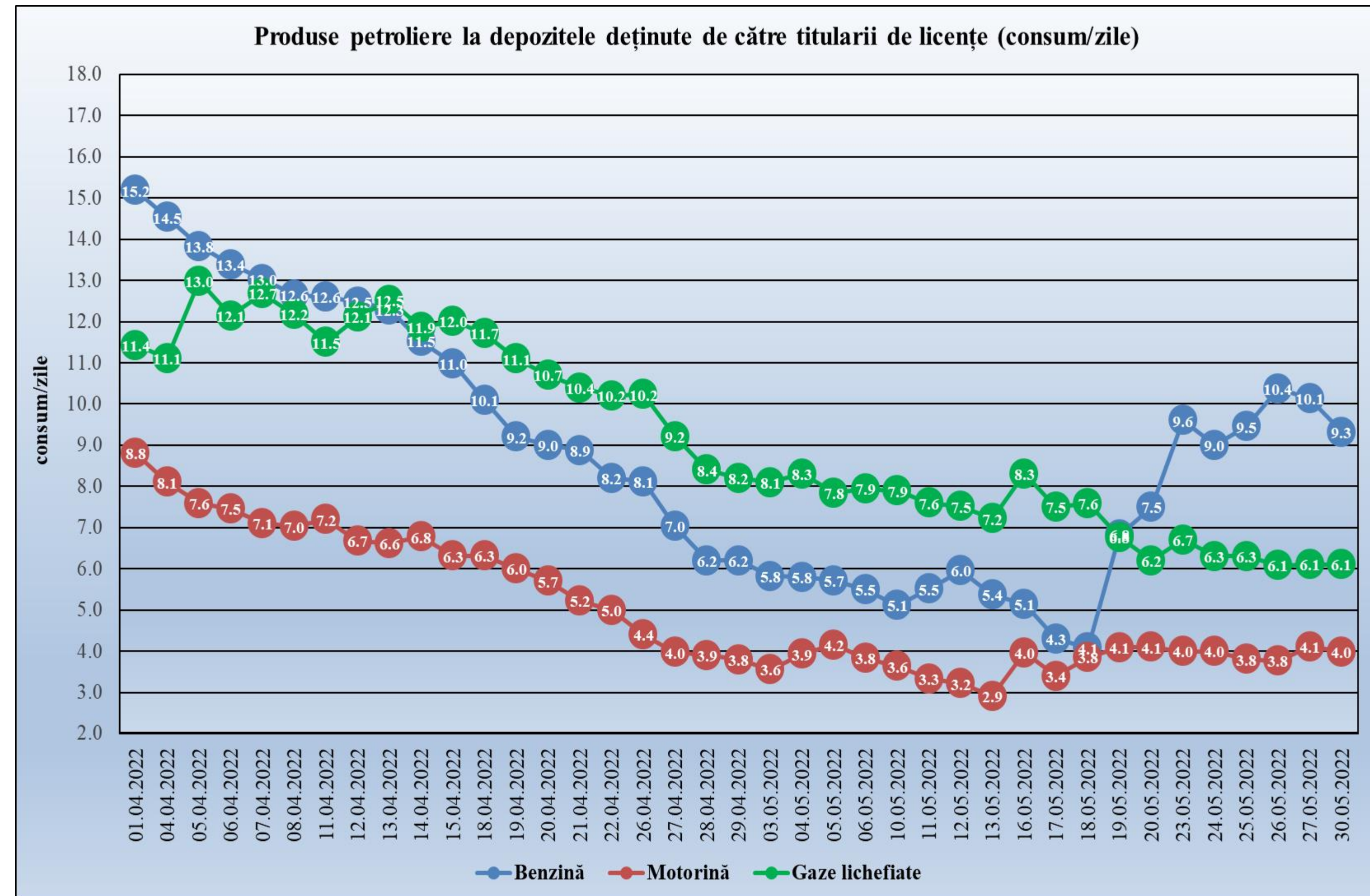
•The Moldovan oil market is supplied by private companies licensed by ANRE for the import and wholesale and/or retail trade of oil products. Although 44 companies are licensed for the import and wholesale trade of gasoline and diesel (based on data as of October 9, 2024), the Moldovan oil market is heavily concentrated among three companies parentally linked with the Romanian refineries.

Market share of companies licensed for the import of gasoline, diesel and LPG



Oil supply chains disruption

- Directive 2009/119 on minimum oil stocks not transposed (nor member of the IEA);
- Imports mostly from ports in Ukraine or via Ukraine by trucks and railway;
- On May 13, 2022, the commercial stocks were sufficient for less than 3 days of usual consumption;
- Decisions of the Commission for Emergency Situations to allow all frontier crossing points to import oil and to accept EU certificated of quality



Source: <https://gov.md/ro/content/dispozitii-cse>

Border crossing points for import

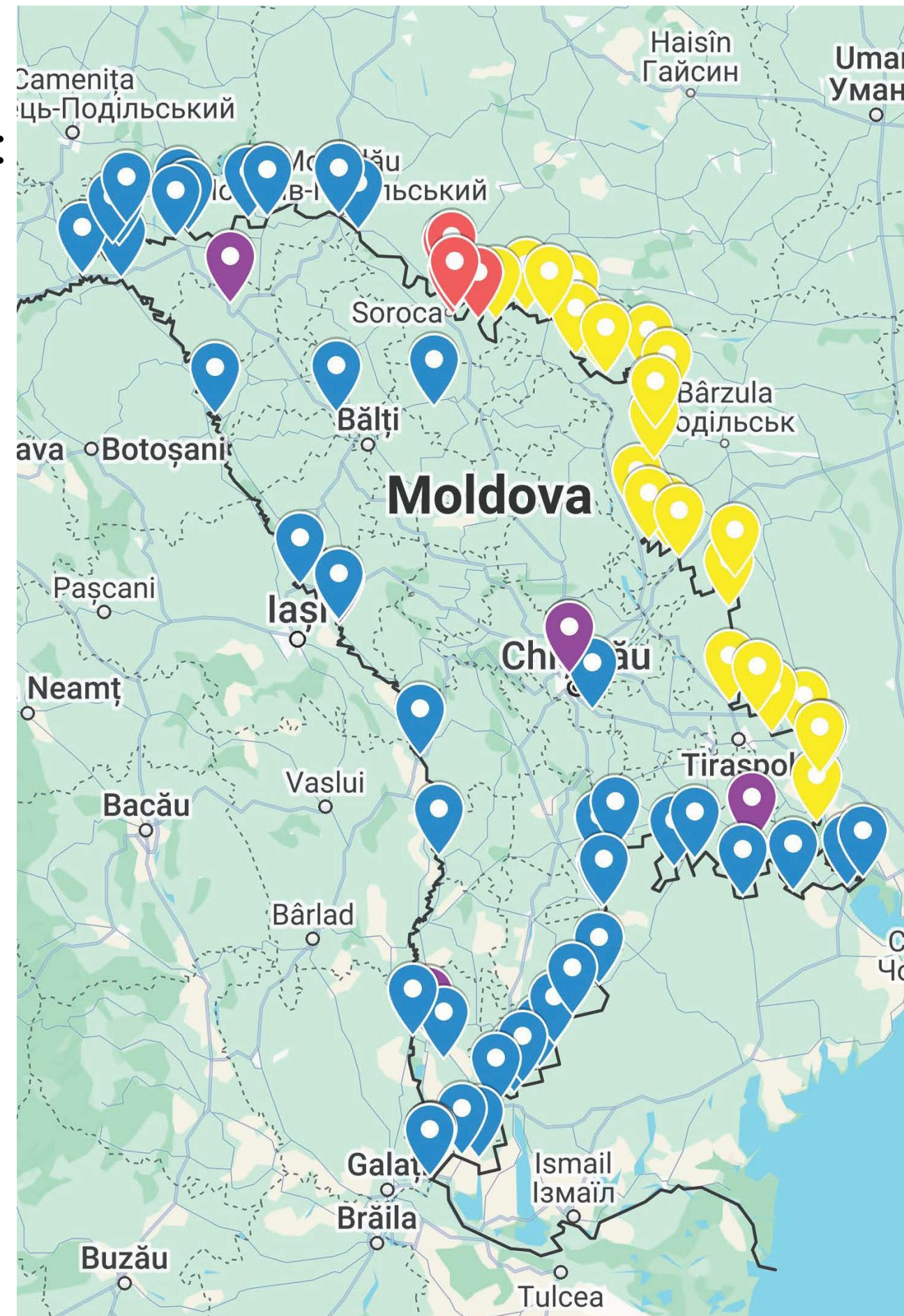
- Before war in Ukraine only 5 railway and 4 road border crossing points used for oil import:

- **Railway:**

- 1) Ocnița (with Ukraine);
- 2) Cuciurgan (with Ukraine);
- 3) Etulia (with Ukraine);
- 4) Giurgiulești (with Ukraine);
- 5) **Ungheni (with Romania);**

- **Road:**

- 1) **Leușeni-Albița (with Romania);**
- 2) Tudora-Starokazacie (with Ukraine);
- 3) Otaci–Moghiliov–Podolski (with Ukraine);
- 4) Pervomaisk–Cuciurgan (with Ukraine).



- After war in Ukraine started, based on Emergency Committee Decisions and Governmental Decisions 8 points added, in total 17:

- **Railway:**

- 1) Ocnița–Sokireanî (with Ukraine);
- 2) Novosavițkoe–Cuciurgan (with Ukraine);
- 3) Etulia–Frikăței (with Ukraine);
- 4) Giurgiulești–Reni (with Ukraine);
- 5) **Ungheni–Iași (with Romania);**
- 6) Basarabasca–Serpniovo-1 (with Ukraine).

- **By road:**

- 1) **Leușeni–Albița (with Romania);**
- 2) Tudora–Starokazacie (with Ukraine);
- 3) Otaci–Moghilev-Podolsk (with Ukraine);
- 4) Pervomaisc–Cuciurgan (with Ukraine);
- 5) **Giurgiulești–Galați (with Romania);**
- 6) **Cahul–Oancea (with Romania);**
- 7) **Sculeni–Sculeni (with Romania);**
- 8) Mirnoe–Tabaki (with Ukraine);
- 9) Vulcănești–Vinogradovka (with Ukraine);
- 10) Giurgiulești–Reni (with Ukraine).

- **By river:**


- 1) Giurgiulești-Port (international).

Border crossing points for import

- Newspaper of May 27, 2022:
- „The Republic of Moldova risks facing not only high prices for petroleum products, but also the lack of them at gas stations, companies in the field warn. **Already, some gas station networks do not have diesel and gasoline and cannot replenish stocks.**”

Moldova în pragul unei noi crize petroliere



Vineri, 27.05.2022 07:35  8589

 BNS

Republica Moldova riscă să se confrunte nu doar cu prețuri mari la produse petroliere, ci și cu lipsa acestora la benzinării, avertizează companiile din domeniu. Deja, unele rețele de benzinării nu dispun de motorină și benzină și nu pot completa stocurile.

Aceasta, din cauza ambuteiajelor uriașe de la punctele de trecere a frontierei moldo-române și timpului foarte mare de așteptare pentru trecerea autocisternelor cu produse petroliere în ambele direcții (intrare sau ieșire din Republica Moldova).

STATE OF PLAY

Government Decision No. 1027/2001 on some implementing measures of the Petroleum Products Market Law

The Ministry of Energy, together with the National Agency for Energy Regulation, will draw up within a month the regulation on safety stocks of the main oil products.

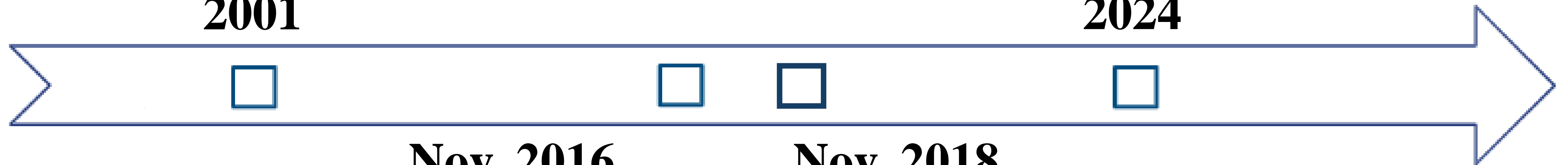
2001

Government of Moldova elaborated a new draft Law on security of supply with petroleum products.

*The draft Law is planned to be sent for public consultations in **October 2024**.*

*The adoption by Parliament of Moldova of the Law is estimated for **Quarter 3, 2025**.*

2024



Nov, 2016

Government of Moldova elaborated the draft Law on minimum level of petroleum products.

The draft Law was passed through public consultations with moldavian stakeholders and Energy Community Secretariat

Nov, 2018

WHY DOES MOLDOVA NEED TO TRANSPOSE THE EU DIRECTIVE 2009/119/CE?



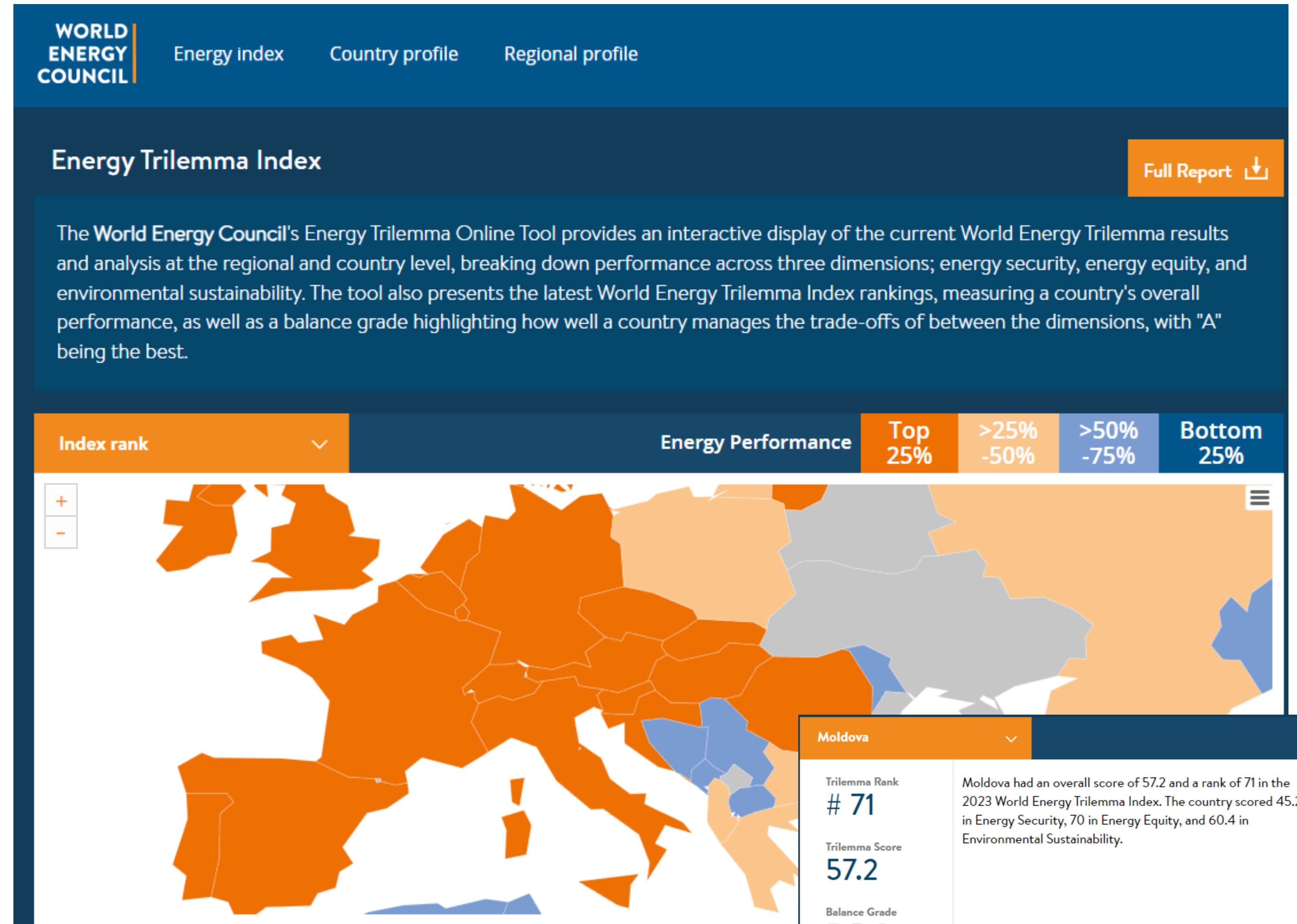
- As an Energy Community Contracting Party, Moldova has taken over the obligation to implement the EU *acquis* on security of oil supply, not later than 1 January 2023
- As the EU candidate country, Moldova's obligation to implement the EU legislation on security of oil supply was reassured!

Security of oil supply is a matter of national security and social responsibility and the Government must deal with it irrespective when Moldova will become member of the EU!

WHY DOES MOLDOVA NEED TO TRANSPOSE THE EU DIRECTIVE 2009/119/CE?

- **Share of petroleum products in primary energy consumption of Moldova is high (>40% in 2023) and will likely remain high despite the efforts to decarbonize the transport sector;**
- **Moldova has been well supplied for decades, but security of supply should not be taken for granted!**
- **Pressure on supply chain is increasing!**

Source: <https://trilemma.worldenergy.org/>



THE PURPOSE OF THE LAW ON SECURITY OF SUPPLY WITH PETROLEUM PRODUCTS



- ❑ To be a cornerstone of the legal framework for a safe, reliable, uninterrupted and affordable supply of Moldova with petroleum products in case of a major disruption of the supply, in a manner fully aligned with the EU legislation on security of oil supply and the best practices.

- ❑ In practice, it means to transpose the EU legislation on security of oil supply (Directive 2009/119/EC) that, among others, particularly requires:
 - ✓ to maintain emergency stocks in amount equal, at least, to **90 days of average daily net import or 61 days of average daily inland consumption**, whichever of the two quantities is greater;

 - ✓ to have contingency plan, organizational structure and procedures to cope with emergency situation available at all times.

MOLDOVA'S EMERGENCY STOCKHOLDING OBLIGATION

- In Moldova's case, it is certain that the obligation shall be related to **90 days of average daily net import**, as Moldova neither has (substantial) indigenous oil production nor oil refineries.
- Based on 2023 Customs Service oil data, the stockholding obligation should be related to 90 days of average daily net import and amounts **274 000 metric tons of petroleum products**.
- Moldova's emergency stocks should consist of main products – **diesel, gasoline and fuel oil**.
- To hold **274 000 tons of oil products** it should be necessary to ensure the storage capacity (in Moldova and/or abroad) in the amount of approximately **400,000 m³**.



Republica Moldova

GUVERNUL

HOTĂRĂRE Nr. 668
din 29-09-2022

**cu privire la crearea și menținerea stocurilor
de securitate de gaze naturale**

Articolul 108¹. Crearea și menținerea stocurilor
de securitate

(1) În vederea asigurării securității aprovizionării cu gaze naturale, Guvernul desemnează o întreprindere de gaze naturale (în continuare – *entitate pentru crearea și menținerea stocurilor de securitate*), care este obligată să creeze și să mențină stocuri de securitate și să le pună la dispoziție în condițiile stabilite la alin. (8). Stocurile de securitate se constituie în cantitate egală cu consumul de gaze naturale pe parcursul a cel puțin 10 zile de consum, o zi de consum fiind echivalentă consumului zilnic mediu pentru perioada de iarnă calendaristică precedentă.

STOCKHOLDING OBLIGATION HOLDERS

- **CSE (Central Stockholding Entity)** should make up 50% of the national emergency stockholding obligation (cca 137 000 tons out of 270 000 – 280 000 tons).
- CSE would be a non-profit legal entity founded by the Government, **acting in the general economic interest.**
- Main tasks of the CSE:
 - Purchase and sell of petroleum products in order to establish and maintain stocks,
 - Organization, management and supervision of its own emergency oil stocks.
- CSE stocks buildup period: 5 - 6 years.



Source: <https://rezerve.gov.md/ro/content/comunicat-cu-privire-la-procedura-de-transportare-recep%C8%9Bionare-%C8%99i-eliberare-motorinei>

STOCKHOLDING OBLIGATION HOLDERS

- **Importers of petroleum products** should make up 50% of the national emergency stockholding obligation (cca 137 000 tons out of 270 000 – 280 000 tons).
- Obligation to be imposed only on **importers which are importing more than 10,000 tons** of one or more of the following products: gasoline, diesel and fuel oil during the previous year.
- Obligation of importers which are importing less than **10,000 tons would be transferred to the CSE.**

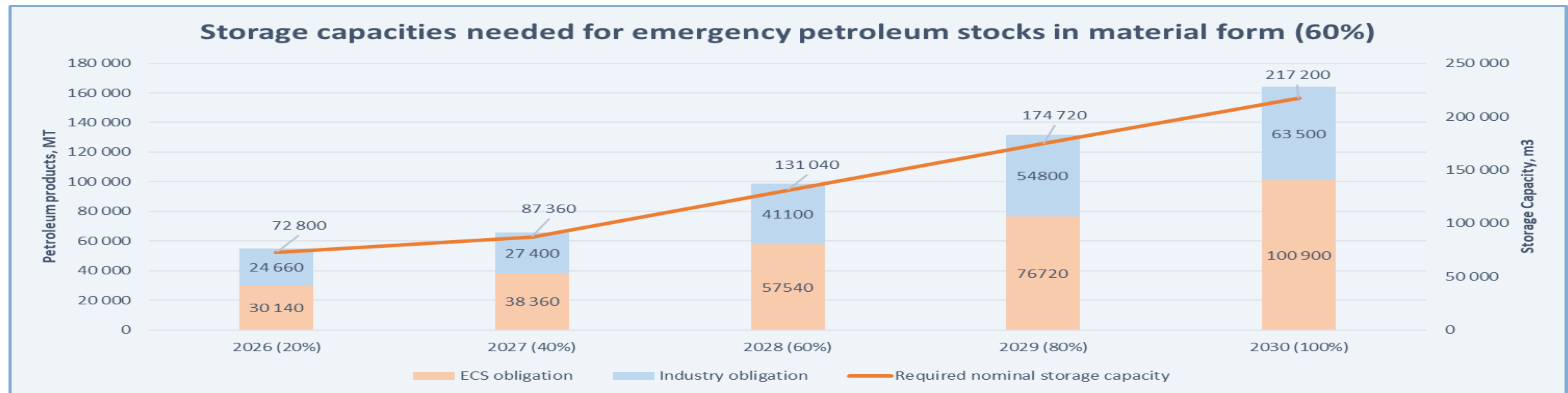


Source: <https://gifp.md/ro/services-facilities/oil-product-terminal/>

HOW AND WHERE TO HOLD EMERGENCY STOCKS

- **In material and non-material form (delegation)**
- **On the territory of Moldova and abroad** (*storage abroad has to be approved in advance by both the Ministry and the host country*)

Emergency Stocks	CSE	Industry
In material form (54 days)	35%	25%
In non-material form (36 days)	15%	25%
Total (90 days)	50%	50%



HOW AND WHERE TO HOLD EMERGENCY STOCKS

- **Own and/or rented storage capacities**
 - Meeting Moldova's emergency oil stockholding need requires a **significant refurbishment of the country's idle storage capacities** (mostly privately owned) and this refurbishment should be an integral part of the **CSE's Action plan on emergency stockholding**.
 - From the CSE view, only locations/capacities that are in use by oil companies, are accessible by at least two modes of transport (**ship, road, and/or rail**) and have the status of customs warehouse which should be considered eligible for storing emergency oil stocks.



Source: <https://wikimapia.org/12536888/ro/Tirex-Petrol-S-A-%C3%8E-M-Baza-de-Produse-Petroliere>

SUPERVISION OF EMERGENCY STOCKS

- **ANRE** would be responsible for monitoring the fulfillment of the stockholding obligation by the importers of petroleum products.
- Stockholding obligation holders should allow ANRE, the Ministry, their authorized representatives, **inspection houses, access to storage facilities to carry out control of stocks** and all the documents regarding the stocks.
- The access should also be allowed to representatives of the European Commission and the Energy Community Secretariat.



Source: <https://consumator.gov.md/rom/comunicate-de-presa/controale-planificate-inopinate-la-statii-peco>

MANAGING EMERGENCY SITUATIONS

- The Government would approve the *Interventions plan* in case of major disruption in the supply of petroleum products.
- The Government would establish the *Council for security of petroleum products supply*; it would include representatives of the relevant state authorities and representatives of three largest importers.
- The Council would alert the Commission for the Emergency Situations (through the Ministry) about likely occurrence of a major disruption in supply and **propose measures to prevent disruption in supply** or to normalize supply in case of disruption in supply.



Source: <https://consumator.gov.md/rom/comunicate-de-presa/controale-planificate-inopinabile-la-statii-peco>

PENALTIES FOR NON-COMPLIANCE

- Rigorous and persuasive penalties would be introduced for:
 - non-compliance in **holding** the emergency stocks;
 - non-compliance in **implementing emergency measures** adopted by the Commission for Emergency Situations;
 - non-compliance in **paying duly the stockholding fee** to the CSE and submitting data regarding the payments;
 - non-compliance in **submitting duly oil data** monthly;
 - non-compliance in **providing storage activity** (ANRE's authorization).



Source: <https://www.facebook.com/PetromMoldova/videos/309578083748691/>

FINANCING OF THE STOCKHOLDING SYSTEM

- Through a **dedicated stockholding fee** determined by the Government.
- Stockholding fee would be consisting of two parts – „CSE stockholding fee” and „compensation to the obliged importers”;
- Stockholding fee would be an integral part of the selling price (before taxation) of oil;
- Stockholding fee would be an income of the stockholding obligation holders.
- All importers should pay the „CSE stockholding fee” to the CSE and submit relevant data regarding the payment.



Republica Moldova

AGENȚIA NAȚIONALĂ PENTRU REGLEMENTARE ÎN ENERGETICĂ

HOTĂRÂRE Nr. 277
din 19-05-2023

privind aprobarea Metodei de determinare a mărimii contribuțiilor financiare achitate de furnizorii de pe piața cu amănuntul a gazelor naturale pentru acoperirea costurilor stocurilor de securitate de gaze naturale

Source: https://www.legis.md/cautare/getResults?doc_id=141125&lang=ro



Republica Moldova

AGENȚIA NAȚIONALĂ PENTRU REGLEMENTARE ÎN ENERGETICĂ

HOTĂRÂRE Nr. 351
din 18-06-2024

privind aprobarea marjei comerciale specifice la comercializarea cu amănuntul a produselor petroliere principale de tip standard pentru semestrul doi al anului 2024

Source: https://www.legis.md/cautare/getResults?doc_id=143687&lang=ro

CHALLENGES AND OPPORTUNITIES

- To succeed with the Law adoption this last attempt;
- Mitigate impact on oil consumers;
- Reduce impact on agricultural farmers;
- Annual increase in excise duty according to fiscal legislation;
- Storage infrastructure refurbishment;
- Alternative fuel option for power plants;
- Law implementation – 10 Regulations;
- Parliamentary elections, July 2025;
- Bilateral screening and Chapter 15 negotiations in the frame of EU integration.



Moldova

Ensuring energy security



OIL SECURITY OF SUPPLY

13%

Moldova does not maintain emergency oil stocks as the Oil Stocks Directive requires. The Government drafted a law on creating and maintaining a minimum level of oil product stocks in 2017. There are no emergency procedures in place. No data are reported.

No progress was achieved during this reporting period and Moldova's legal framework remains non-compliant with the oil acquis.

Source: <https://www.energy-community.org/implementation/report.html>

Thank you for your attention!

