THE ENERGY FACTOR IN THE TRANSNISTREAN REGION OF THE REPUBLIC OF MOLDOVA

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Abstract

Since the declaration of „independence in 1992", the Transnistrian region has received economic, political and military support from Russian Federation. Regarding the energy factor, the Transnistrian region has always been favored in its relationship with Russia, and the issue of natural gas supply has often been the „apple of discord" between the Republic of Moldova and the Russian Federation. Next, we aim to analyze the evolution of the energy factor in the Transnistrian region, to highlight the main causes that contributed to the aggravation of the energy crisis in the Republic of Moldova at the end of 2021, but also to underline the place of the Transnistrian region in this unpleasant situation for our country. At the same time, we intend to draw some conclusions, but also to offer some future scenarios that would contribute to solving the Republic of Moldova's crisis in full Covid 19 pandemic, as well as the economic problems facing the country at this time.

Keywords: Transnistrian region, natural gas, debt, MoldovaGaz, energy crisis.

MoldovaGaz was founded in 1999, and Gazprom holds 50% of the shares (US $ 145.3 million), the Public Property Agency of the Republic of Moldova 35,33% (US $ 102.7 million), the left bank of the Dniester region 13.44% (US $ 39 million), individuals and legal entities 1,23% (US $ 3.5 million).

„The Transnistrian region not only consumes much of the natural gas transported by Gazprom to Moldova, but also refuses to pay for it", say Moldovan politicians, who believe it is another form of support for the separatist region by the Kremlin. „Since this separatist phenomenon exists, the Transnistrian region has not paid for a cubic meter of gas it has consumed. All the money raised for gas deliveries to customers in the separatist region goes to their budget and is used by the separatist government for social purposes, as payments to maintain the regime", said Mr. Ion Sturza, a politician and former Moldovan prime minister. He explained that much of Moldova's Soviet-era heavy industry is placed in the Transnistrian region. This is in constant need of energy. For example, Moldova Steel Works, from Rabnița/Transnistria, consumes 60 percent of all gas consumed in Moldova. The US Administration for Energy Information has confirmed that the Transnistrian region „contains the majority of Moldova's energy production capacity and heavy industry".

While the Transnistrian region benefits from local gas revenues, MoldovaGaz, the Moldovan gas company, is billed for every cubic meter of gas and is held responsible for its payment.

Russia and the Transnistrian region hold control – with 51% and 13%, respectively – in MoldovaGaz, the state-owned company of the Republic of Moldova, to which Russian Gazprom says that our country owes US $ 709 billion for non-payment of Gaz consumption. There are not only questions and doubts about the real amount that Moldova owes Gazprom, but also about who is responsible for generating most of this debt. Some point to TiraspoltransGaz, which is the Transnistrian region's gas company of the unrecognized government from Transnistrian region[1].

In the last two decades, the governments of Chisinau have declared the debt of the left bank, regarding gas consumption, is only the debt of the Tiraspol regime and this is to be paid by those there. What is certain is that these debts are part of the negotiations between Moldova and the Russian Federation, on the platform of the Moldovan-Russian Joint Intergovernmental Commission and this equation does not include the separatist regime. This is because the regime has no legal power. Thus, the debt of the left bank remains the problem of the Republic of Moldova and more precisely of the taxpayers on the right bank.

[1] Vulcan D., „Gazprom – Moldova, nou contract de furnizare a gazelor. Separatiștii pro-ruși, acuzați că au umflat facturile". Published on 30.10.2022. [online] https://romania.europalibera.org/a/moldova-gaz-rusia/31534769.html (Accessed on 12.02.2022).

This separation of debts from a common portfolio seems to be only at the declarative level and is accounted only by MoldovaGaz, for which the state has not carried out any audit since its creation. In order to understand why this is happening, it is enough to see the shares in MoldovaGaz and who actually runs this joint stock company.

As noted above, MoldovaGaz has only 35.3% of the share package, 13.4% – the regime on the left bank of the Dniester, 1.3% is owned by individuals, and the rest belongs to Gazprom controlled by the Russian state. Thus, in real terms, MoldovaGaz should be called Gazprom Moldova, because the current name would lead people to believe that MoldovaGaz is a state-owned company, where the Chisinau government is pulling the strings. The package held by the Republic of Moldova is one that would block certain actions that would harm the country, but it is not enough to allow the Court of Accounts to audit the company. The Court can only check private companies with majority state capital.

The solution that the parliamentary majority of the Action and Solidarity Party (ASP) thought to apply in this case, would be the adoption of a special law that may the Court of Accounts intervene, as well as force the company to make available its accounting data. However, this law is not yet at the level of a legislative initiative.

The problem of accumulating gas debt is a major one, because the scheme of its accumulation continues. On September 30, 2021, when the last report of the Russian concern Gazprom was published, the debt of the left bank reached US $ 7,298,229,266. To this is added US $ 1.2 billion sold by Gazprom to Factoring Finance in 2005. This sum is about 2/3 of Moldova's GDP.

As the issue continues to be debated, the political elites in Chisinau forget three episodes in the past in which Moldova paid its left bank debt in 1997, 2000 and 2001 from the country's state budget. The amount paid is US $ 240.4 million.

In this context, in order to pay off its gas debt in 1997, Moldova proposed obligations in exchange for money. Thus, Gazprom used US $ 130.2 million of Moldova's obligations to pay off the left bank debt. In the year 2000, the Government of the Republic of Moldova assumed the payment of a debt of US $ 90 million, of which US $ 63 million was used by Gazprom to pay off the debt of the left bank without Moldova wanting it. In 2001, in exchange for the 50% share obtained in MoldovaGaz, Gazprom obtained US $ 59.9 million, of which $ 47.2 million – the money of the state of the Republic of Moldova was used to cover the debt of the left bank.

In all acts and decisions of the Government in which Moldova transferred either obligations or the share of MoldovaGaz in exchange for debt settlement is mentioned as the paying party only the Republic of Moldova, namely from the fact that the Transnitrian region, legally, is part of the state. According to experts, this aspect could put the debt of the left bank on the shoulders of the Moldovan state budget.

About 90% of MoldovaGaz's debts to Gazprom are due to non-payment of the gas bill by the separatist authorities in Tiraspol. MoldovaGaz is the company that delivers Russian gas to the separatist region, where Gazprom holds the majority stake.

At the same time, the representatives of the Transnistrian region state that the historical debt for Russian gas supplied to the Transnistrian separatist region has reached seven-billion-dollar mark and that this is a commercial issue between Gazprom and MoldovaGaz. Tiraspol has not paid for Russian gas since 2006. The money is accumulated on the so-called „gas account", from where it is used by the Transnistrian separatist authorities for other needs such as the payment of pensions and allowances[2].

According to statistics provided by MoldovaGaz, the Republic of Moldova consumed about 3 billion cubic meters of natural gas in 2018, which was 8.4% more than in 2017. The Transnistrian region consumed the most – 1.810 billion cubic meters of gas, 0.680 billion cubic meters more than the right bank. MoldovaGaz explained that this increase, both on the left and on the right bank of the Dniester, was due to the reduction of the gas price, the increase of the pipeline network and, consequently, the number of consumers by 2%. A condition invoked by the gas supplier from the Republic of Moldova was „low temperatures in the cold period of 2018 compared to 2017".

If we talk about the Republic of Moldova, the right bank of the Dniester, the largest consumer is the heat and electricity sector, which consumes

[2] Necşuţu M., *Transnistria: Krasnoselski pune în cârca Republicii Moldova datoria istorică de şapte miliarde de dolari pentru gazele Gazprom.* Published on 25.09.2022. [online] https://www.g4media.ro/transnistria-krasnoselski-pune-in-carca-republicii-moldova-datoria-istorica-de-sapte-miliarde-de-dolari-pentru-gazele-gazprom.html. (Accessed on 12.02.2022).

about 40% of imported gas. Therefore, the biggest factor that conditions the consumption is the outside temperature. In this case, MoldovaGaz's explanations about the right bank are credible. On the other hand, this increase in consumption seems strange given the fact that that the population of the Republic of Moldova decreases every year. It is estimated that about 106 people leave their country every day. During the same period, the Cuciurgan Thermal Power Plant (Moldavskaia Gres) consumed 1.112 billion cubic meters of gas in 2018, while in 2017 its consumption was 0.999 billion cubic meters, which represents an increase of 11,2%.

It should be noted that in the Transnistrian region, in addition to the Cuciurgan Thermal Power Plant, also Sheriff holding Plant and Tirotex-Energo operates on gas. Both are working on Russian gas supplied by MoldovaGaz. Tiraspol does not pay the consumed gas, the entire debt, over 7 billion dollars being accumulated on the shoulders of MoldovaGaz. This increase in gas consumption on the right bank was mainly due to the 20.3% reduction in average gas supply prices for all categories of final consumers.

According to data published by Gazprom, MoldovaGaz's debt to the Russian concern rose to US $ 6.44 billion in 2019, US $ 230 million more than at the end of last year. It should be noted that over 90% of these debts belong to the separatist region, which has not paid for gas for 12 years[3].

The gas crisis of 2021 has put pressure on both Moldova and Gazprom, so it has been decided that they will audit MoldovaGaz's debts in the first part of 2022. This will require the joint selection of an independent company.

MoldovaGaz is listed as the founding company of several gas distribution companies, including TiraspolTransgaz, which, de facto, owns all the gas assets on the left bank of the Dniester. This company has to collect the money for the consumed gas and then transfer the amounts to the accounts of MoldovaGaz and the latter to Gazprom. After theoretically going through this route, debts would not accumulate, but, as are all the processes related to the uncontrolled region, de facto, everything happens differently.

TiraspolTransgaz is no longer functional on the left bank of the Dniester, as all its responsibilities are exercised by TiraspolTransgaz – Pridnestrovie created by the so-called Transnistrean Moldovan Republic.

The separatist authorities decided in 2005 to dispossess MoldovaGaz's subsidiary company of patrimony in favor of „TiraspolTransgaz – Pridnestrovie". Moldova has not recognized and does not recognize „TiraspolTransgaz – Pridnestrovie", so it continues to sign gas supply contracts with Tiraspoltransgaz, which cannot exercise any attribution on the left bank of the Dniester and is used by Transnistrians only for the annual signing of the contract.

Leonid Stankov is currently in charge of TiraspolTransgaz-Pridnestrovie, working firstly as a security guard to director. Leonid Stankov is the director of TiraspolTransgaz-Pridnestrovie LLC and he is also the director of TiraspolTransgaz LLC. Importantly, both TiraspolTransgaz and TiraspolTransgaz-Pridnestrovie are run by the same person. Leonid Stankov is the one who signs documents annually, makes reconciliations, agrees on volumes and prices with MoldovaGaz.

As is well known, domestic tariffs in the Transnistrian region do not cover the market price of gas, and all proceeds from the sale of gas are accumulated on the so-called „special gas account", after which the operator transfers them as a loan to the budget of separatist region.

According to MoldovaGaz, the company is currently trying to recover the assets of the Tiraspoltransgaz-Pridnestrovie LLC, but the bailiffs do not have judiciary power on the left bank, as well as on the right bank, to be able to seize the properties taken in 2006. Newer, the company TiraspolTransgaz tried to obtain from the National Agency for Energy Regulation (NAER) a license for the supply of natural gas. However, NAER refused to grant it a license because TiraspolTransgaz was transporting the gas, not supplying it.

Transnistrians are trying to obtain a license so that they can conclude a direct contract with Gazprom, then this will allow the Russians to no longer depend on MoldovaGaz and the right bank to deliver gas to the Transnistrian region. What is certain is that, according to the gas import contract, MoldovaGaz is obliged to deliver gas to the left bank and to accumulate debts to Gazprom. According to point 2.8 of the Agreement no. 1, in the 2006 Gas

[3] *Transnistria consumă, Moldova plătește; Cui îi pasă?*. Published on 05.10.2019. [online] https://www.jurnal.md/ro/news/de507aabf0e9689b/transnistria-consuma-moldova-plateste-cui-ii-pasa.html. (Accessed on 12.02.2022).

Supply Agreement, MoldovaGaz cannot interrupt the gas supply to the Transnistrian region without the written consent of Gazprom. In fact, Gazprom is forcing MoldovaGaz to deliver debt on the left bank of the Dniester, thus legalizing the financing of the unconstitutional regime in Tiraspol[4].

Consumers on the right bank of the Dniester pay 11 lei and 8 bani (taxes included) for one cubic meter of gas. According to TiraspolTransgaz, which is responsible for the supply of natural gas in the Transnistrian region, domestic consumers on the left bank of the Dniester pay in 2021 a tariff of 0.81 rubles per cubic meter of natural gas, if they use up to 500 m3, or 1,12 rubles, if using more. If we translate into lei, it turns out that the population on the left bank of the Dniester pays between 0,78 bani and 0,98 bani for a cubic meter of gas. However, this money does not reach Gazprom, but in the budget of the self-proclaimed republic, being, according to experts, one of the main instruments for financing the Tiraspol regime[5].

Among the proposed scenarios regarding the solution of the energy crisis, we will further present the position of some representatives from Chisinau and Tiraspol, but also of some citizens from both banks of the Dniester River.

The Chairman of the Board of Directors of MoldovaGaz, Mr. Vadim Ceban, stated that theoretically the debt on payment for natural gas can be canceled by the platform of the Moldovan-Russian Joint Intergovernmental Commission, and more precisely by the Russian Federation.

The separatist leader in Tiraspol, Mr. Vadim Krasnoselsky, noted that „the Transnistrian region is not giving up its debts and is ready to pay for what it has consumed". On the other hand, in an interview with Russian journalists, Krasnoselsky stated that the issue of the historic debt of seven billion dollars is a matter of negotiations between Moldova and Russia, namely Gazprom and MoldovaGaz[6].

For the left bank of the Dniester, natural gas is delivered by Moldovagaz to TiraspolTransgaz, which in turn supplies gas to consumers in the Transnistrian region. Based on TiraspolTransgaz's request to increase contracted gas volumes for December 2021, MoldovaGaz addressed that request to Gazprom, which was not satisfied, according to MoldovaGaz's response[7].

Regarding the solution of the natural gas energy crisis, the citizens of our country are of the opinion that a pipeline should be installed that would come directly to the Republic of Moldova and bypass the Transnistrian region. Others believe that two separate contracts should be concluded with Gazprom for the supply of natural gas – one with the Republic of Moldova and another with the Transnistrian region.

Citizens of the Transnistrian region do not have a fixed opinion on natural gas. And this is explained by the much lower and more comfortable price they pay for natural gas consumption. The population is not well enough informed about the energy crisis in the Republic of Moldova due to lack of information and the specific situation in the region.

Despite the debts, at the end of October 2021, a five-year extension of a Russian gas delivery agreement to Chisinau was extended. The new contract with Gazprom does not provide for any political conditionality and does not mention the Transnistrian region in any way, and the debt formed to MoldovaGaz will be paid after an audit. Regarding the debt formed at MoldovaGaz, the Deputy Prime Minister, Mr. Andrei Spinu, stated that it was agreed to conduct an independent audit of this debt in 2022. Based on this audit, the amount and resumption of new negotiations on the identification of the manner and timing of payment of this debt by MoldovaGaz will be established[8].

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[4] Tabaranu I., *„Cronologia unei datorii plătite. Moldova a achitat de trei ori datoria regiunii transnistrene la gaz"*, Published on 24.12.2021. [online] https://zonadesecuritate.md/cronologia-unei-datorii-platite-moldova-a-achitat-de-trei-ori-datoria-regiunii-transnistrene-la-gaz/ (Accessed on 15.02.2022).

[5] *De ce consumatorii din stânga Nistrului achită 78 de bani pentru un metru cub de gaze Publicat la 23.11.2022.* [online]. https://stiri.md/article/politica/moldovagaz-a-platit-gazpromului-35-de-milioane-de-dolari-pentru-gaz (Accesed on 12.02.2022).

[6] Necşuţu M. Transnistria: Krasnoselski pune în cârca Republicii Moldova datoria istorică de şapte miliarde de dolari pentru gazele Gazprom. Published on 25.09.2022. [online] https://www.g4media.ro/transnistria-krasnoselski-pune-in-carca-republicii-moldova-datoria-istorica-de-sapte-miliarde-de-dolari-pentru-gazele-gazprom.html (Accessed on 12.02.2022).

[7] *De la 1 ianuarie preţul gazelor pentru Moldova a crescut cu 200 de dolari. Riscul unei noi crize. Published on 05.01.2022.* [online] https://www.mold-street.com/?go=news&n=13338 (Accessed on 18.02.2022).

[8] *Ce prevede noul contract de gaze între Republica Moldova şi Gazprom: Un preţ de 2 ori mai mic decât cel de piaţă şi audit independent. Published on 30.10.2021.* [online] https://www.digi24.ro/stiri/externe/ce-prevede-noul-contract-de-gaze-intre-republica-moldova-si-gazprom-un-pret-de-2-ori-mai-mic-decat-cel-de-piata-si-audit-independent-1718635 (Accessed on 17.02.2022)

Referring to the contract price, the Minister Andrei Spinu specified that there is a commercial relationship between MoldovaGaz and Gazprom, and the formula will be made public only if these companies decide. Certain is that in January 2022, the price of natural gas was fixed at 14.60 lei per 1m³. However, the burden on people to pay their bills is eased by the compensation provided by the Government[9].

Conclusions

Based on the information presented above, we note that the energy factor in the Transnistrian region, especially related to the supply of natural gas, is a critical issue, especially for the Republic of Moldova. We do not believe that the debts accumulated to Gazprom will be paid in the near future, and a positive dialogue with the Russian concern remains sensitive every time.

However, we hope that the energy crisis created on the sidelines of the high price of natural gas delivered to the Republic of Moldova, as well as the debts formed by the non-payment of gas, especially from the Transnistrian region, will be resolved in the near future. And in order to reach a constructive consensus for both Gazprom and MoldovaGaz, it is necessary to select at the negotiating table professional people who are mature enough and open to collaboration, who can certainly contribute together to ensuring the general well-being of the population.

[9] *Călugăreanu V. Chișinăul plătește costul nealinierii politice față de Moscova Published on 13.01.2022.* [online] https://www.dw.com/ro/chi%C8%99in%C4%83ul-pl%C4%83te%C8%99te-costul-nealinierii-politice-fa%C8%9B%C4%83-de-moscova/a-60413935 (Accessed on 20.02.2022)