

POLICY PAPER

Moldova in the Dark: How can Moldova Enhance Its Energy Security Through the EU Integration?



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Background

Moldova is facing an energy crisis due to several factors, including reliance on natural gas imports from Russia, outdated energy infrastructure, and environmental issues such as coal-fired power plants. The country heavily relies on Russia for its energy supply, particularly natural gas, which has had a significant impact on its economy. 2

Maia Sandu, the leader of the Party of Action and Solidarity (PAS), was elected president in December 2020³. Following her election, a pro-European government led by Natalia Gavriliţa was appointed, representing a significant shift in Moldova's political orientation from a pro-Russian stance to a pro-European one.⁴ In autumn 2021, Gazprom, Russia's state-owned gas company, suspended gas supplies to Moldova, demanding a new contract.⁵ Russia attempted to use Moldova's gas dependency as a tool to influence political positions in the country in their favour, but the Moldovan government refused to comply⁶. Instead, the government sought alternatives from other international actors to reduce dependency on Russian gas.⁷

In 2022, as the Russian aggression against Ukraine started, Moldova became the second most affected country⁸. Although it was not the target of a conventional war, it became a target of a hybrid war conducted by Russia, which used energy security as a tool to pressure the government and citizens. With the help of the EU, Moldova received €300 million from the European Bank for Reconstruction and Development to purchase gas and store it in Ukraine and Romania⁹. Additionally, Moldova also secured special prices from the Romanian electricity market after joining ENTSO-E in March 2022¹⁰. However, the country suffered blackouts when Ukraine's energy infrastructure was attacked since the two countries were connected¹¹.

Moldova and Transnistria have a complex political relationship that began when Transnistria declared independence from Moldova in the early 1990s¹². Moldova has since sought to reintegrate Transnistria back into its territory, while Transnistria seeks recognition as an independent state and closer ties with Russia¹³. Energy has been a major point of contention between the two entities.



¹ EEAS "EP Plenary: Challenges Facing the Republic of Moldova." 14 Mar. 2023, https://www.eeas.europa.eu/eeas/ep-plenary-challenges-facing-republic-moldova en?s=223.

² Ibid.

³ "Pro-EU Sandu Takes Moldova Presidency in Landslide." Politico, 16 Nov. 2020, https://www.politico.eu/article/proeu-sandu-takes-moldova-presidency-in-landslide/.

⁴ Ibid.

⁵ Guvernul Republicii Moldova "Discursul Premierului Natalia Gavrilița În Plenul Parlamentului, În Legătură Cu Instituirea Stării de Urgență.", 22 Oct. 2021, gov.md/ro/content/discursul-premierului-natalia-gavrilita-plenul-parlamentului-legatura-cu-instituirea-0.

⁶ Council of the EU "Joint Press Statement Following the Seventh Association Council Meeting between the European Union and the Republic of Moldova.", 7 Feb. 2023, www.consilium.europa.eu/en/press/press-releases/2023/02/07/joint-press-statement-following-the-seventh-association-council-meeting-between-the-european-union-and-the-republic-of-moldova/.

⁷ Op. cit.

⁸ EEAS. "The European Union and the Republic of Moldova." <u>www.eeas.europa.eu/moldova/european-union-and-republic-moldova en?s=223</u>.

⁹ EBRD "The EBRD in Moldova." <u>www.ebrd.com/moldova.html</u>.

¹⁰ EEAS "JOINT STAFF WORKING DOCUMENT Association Implementation Report on the Republic of Moldova" 6 Feb. 2023, www.eeas.europa.eu/sites/default/files/documents/ST-6094-2023-INIT_en.pdf.

¹¹ Jardan, C., McGrath, S. "Power Outages in Moldova after Russian Strikes in Ukraine." AP NEWS, 15 Nov. 2022, apnews.com/article/russia-ukraine-war-moldova-power-outages-edfd0a2990ee1a151e970755657ee73b.

¹² Draghicescu, Vlad. "Moldova Şi Transnistria: Războiul Şi Soluțiile Creative" Deutsche-Welle, 1 Jun. 2022, www.dw.com/ro/moldova-%C5%9Fi-transnistria-r%C4%83zboiul-%C3%AEncurajeaz%C4%83-solu%C8%9Biile-creative/a-61997493.

¹³ Ibid.

Transnistria's infrastructure is closely linked with Russia, while Moldova relies on imports from Ukraine. They have disputed the ownership and management of the Moldova Cuciurgan power station, located on the Transnistrian side of the Dniester River¹⁴. The lack of resolution of these issues has resulted in a difficult and often tense relationship between the two entities.

The Moldovan government under Gavriliţa has taken several initiatives to address the energy crisis until its resignation in February 2023¹⁵. The government has imposed a state of emergency in the energy sector and initiated measures to supply alternative sources of natural gas from non-Russian sources¹⁶. Despite all the obstacles and thanks to all the efforts to resist against them, Moldova is now closer than ever to join the European Union, gaining the candidate status in June 2022¹⁷. Therefore, this policy paper poses the question: *How can Moldova enhance its energy security through EU integration?*

Current State of Play

The authorities in Moldova have assessed that the probability of direct military aggression against their country is currently low, though they remain vigilant due to the presence of Russian troops and weapons in the Transnistrian region¹⁸. Recently, Russia has employed hybrid tactics to destabilize Moldova, including attempts to incite violent regime change¹⁹. Despite these pressures, Moldova remains steadfast in its commitment to reforms aimed at bringing the country closer to the European Union²⁰. The EU has been providing policy guidance and conducting a comprehensive assessment of Moldova's progress towards EU accession.

To avoid interruptions, in December 2022, the government made a deal with Transnistria to receive gas from Gazprom, which allowed Moldova to get through the winter without disruption²¹. Gazprom subsequently decreased its supply by 20-30%, providing only half of what it had previously before the winter. The remaining half was sent to the Russian-owned Transnistrian region in exchange for cheaper electricity prices in Moldova, which allowed Moldova to reduce its dependency on Russian gas significantly, with only the Transnistrian region still consuming Gazprom gas²². Even though they managed to decrease its supply from Gazprom, the Russian-owned company and Transnistria remain the elephants in the room when it comes to Moldovan energy security.

²² IEA. "Executive Summary – Moldova 2022 – Analysis." www.iea.org/reports/moldova-2022/executive-summary.



¹⁴ Fabrègue, B. F. G. "Moldova amid a Potential Devastating Energy Crisis: Attempted Solutions and Policies." Blue Europe, 10 Oct. 2022, www.blue-europe.eu/analysis-en/short-analysis/moldova-amid-a-potential-devastating-energy-crisis-attempted-solutions-and-policies/.

¹⁵ Government of the Republic of Moldova "MINISTERUL INFRASTRUCTURII ȘI DEZVOLTĂRII REGIONALE." 23 Nov. 2022, midr.gov.md/noutati/strategia-energetica-moldova-2050-tinteste-asigurarea-independentei-energetice-a-tarii-si-aprovizionarea-cetatenilor-cu-energie-accesibila.

¹⁶ Ministerul Afacerilor Interne "Starea de Urgență În Republica Moldova Ar Putea Fi Prelungită Cu Încă 60 de Zile | Ministerul Afacerilor Interne." 1 Feb. 2023, www.mai.gov.md/ro/node/7499.

¹⁷ Council of the European Union "European Council Conclusions, 23-24 June 2022." 24 June 2022, www.consilium.europa.eu/en/press/press-releases/2022/06/24/european-council-conclusions-23-24-june-2022/.

¹⁸ EEAS "EP Plenary: The Challenges Facing the Republic of Moldova | EEAS Website." 14 Mar. 2023, www.eeas.europa.eu/eeas/ep-plenary-challenges-facing-republic-moldova_en?s=223.

¹⁹ Minzarari, Dumitru. "Population-Centric: Lessons from Russia's Hybrid War in Moldova – European Council on Foreign Relations." ECFR, 17 Mar. 2023, ecfr.eu/article/population-centric-lessons-from-russias-hybrid-war-in-moldova/.

²⁰ Ibid.

²¹ Vitalie Călugăreanu. "Chișinăul S-a Lăsat Prins În Capcana Energetică Rusească – DW – 04.12.2022." Deutsche Welle, 4 Dec. 2022, www.dw.com/ro/chi%C8%99in%C4%83ul-s-a-l%C4%83sat-prins-%C3%AEn-capcana-energetic%C4%83-ruseasc%C4%83/a-63980224.

The European Union has provided a comprehensive support package worth over $\in 1$ billion to enhance Moldova's resilience²³. The Economic and Investment Plan for the Eastern Partners also has significant potential to support Moldova's reform agenda, with the five main initiatives aiming to unlock $\in 1.6$ billion of investments for Moldova²⁴.

The EU's assistance is crucial, particularly given Moldova's dependence on Russian gas, and the repeated use of gas cutoffs as a political tool by Moscow. To address this issue, the Moldovan government, in partnership with the European Union, has launched several initiatives to enhance the country's energy infrastructure such as RePower Moldova²⁵. One such initiative is the Ungheni-Chisinau gas pipeline, a project that has faced delays due to various factors, including financing and technical issues²⁶. As of 2023, The European Investment Bank (EIB) is investing €28 million to modernize Moldova's electricity distribution system. This will include the installation of smart meters and the implementation of advanced technologies to improve the efficiency and reliability of the system²⁷. The project will benefit over 600,000 Moldovan households and contribute to the country's sustainable energy goals²⁸.

The emigration of Moldovan citizens, particularly young people, to other countries in search of better economic opportunities and living standards, poses a significant challenge to the country's energy security²⁹. This trend results in a decrease in Moldova's population, affecting the country's workforce, economy, and social stability. Moreover, the war in Ukraine, including the energy crisis, has a direct impact on the energy security of the Republic of Moldova, highlighting multiple vulnerabilities and inadequacies in the state's energy sector³⁰. Russian energy resources have become a strategy used by Russia to achieve its geopolitical interests, maintaining its superiority over Moldova to strengthen its influence over the country and the pro-European government³¹.

Despite the Kremlin's efforts to isolate and destabilize Moldova, the country has turned to the EU and the West for support, who have provided financial and expert assistance³². The energy crisis could present an opportunity for the new pro-European government to develop a reliable and sustainable energy sector, which could accelerate Moldova's path towards EU membership³³. With EU support, Moldova can prioritize the construction of energy infrastructure, the use of renewable energy, and the building of its power plant, while working towards peaceful resolutions with Transnistria. These

³³ European Commission. "REPowerEU: Affordable, Secure and Sustainable Energy for Europe." Commission.europa.eu, 2022, commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal/repowereu-affordable-secure-and-sustainable-energy-europe_en.



²³ EEAS "EP Plenary: Challenges Facing the Republic of Moldova." 14 Mar. 2023, https://www.eeas.europa.eu/eeas/ep-plenary-challenges-facing-republic-moldova_en?s=223.

²⁴ Ibid.

²⁵ EEAS "The European Union Enhances the Energy Security of the Republic of Moldova" <u>www.eeas.europa.eu/delegations/moldova/european-union-enhances-energy-security-republic-moldova en.</u> ²⁶ Ibid

²⁷ EEAS "EIB Global Invests EUR 28 Million to Modernise Moldova's Electricity Distribution Grid" 21 Mar. 2023, electricity-distribution en?s=223.

²⁸ Ibid.

²⁹ ETF. "Fișă de Țară Privind Migrația Și Competențele Moldovei" Sept. 2021, www.etf.europa.eu/sites/default/files/2021-11/etf_skills_and_migration_country_fiche_moldova_2021_ro.pdf.

³⁰ European External Action Service (EEAS) "The European Union and the Republic of Moldova

[&]quot;https://www.eeas.europa.eu/moldova/european-union-and-republic-moldova_en?s=223.

³¹ Council of the European Union, "Think tank reports on the invasion of Ukraine," Council of the European Union Library Blog, 28 Feb. 2022, https://www.consilium.europa.eu/en/documents-publications/library/library-blog/posts/think-tank-reports-on-the-invasion-of-ukraine/.

³² Locoman, E. "War as a Neighbor: Moldova and the Challenges of Facing Russian Aggression in Ukraine," Foreign Policy Research Institute, 14 Apr. 2023 https://www.fpri.org/article/2023/04/war-as-a-neighbor-moldova-and-the-challenges-of-facing-russian-aggression-in-ukraine/.

actions would bolster Moldova's energy security in the face of Russian pressure and advance its integration into the European Union.

Policy Recommendations

Development of energy infrastructure

To speed up the building process of the pipelines that connect Moldova and Romania, the Moldovan government should prioritize securing the necessary funding and support from the EU, as well as addressing any regulatory and technical obstacles that may arise. The government should also work with the private sector and other stakeholders to attract investment and expertise to the project, as well as develop effective project management strategies to ensure timely and efficient completion³⁴. In order to do this, the government should strengthen the dialogue between the public and private sectors on energy policy issues and create a communication strategy for energy stakeholders and the general population to increase awareness about the ongoing energy reforms, their benefits and challenges³⁵.

The construction of pipelines connecting Moldova and Romania could also create job opportunities for Moldovan citizens. The building of such infrastructure projects requires skilled workers, including engineers, technicians, and laborers³⁶. This could provide employment opportunities for locals and help stem the country's brain drain, which has seen many skilled workers leaving the country in search of better prospects abroad³⁷.

Moreover, the development of a more secure and reliable energy infrastructure could attract investment in other sectors of the economy, creating further employment opportunities³⁸. A diversified energy supply could also lead to the development of new industries in Moldova, creating a range of new jobs and spurring economic growth.

In conclusion, accelerating the building process of pipelines connecting Moldova and Romania could not only improve Moldova's energy security and reduce its dependence on Russia, but also create job opportunities for Moldovan citizens. By attracting investment and developing new industries, a more secure and reliable energy infrastructure could have a positive impact on the country's economic development and prosperity, ultimately benefiting its people.

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³⁴ International Energy Agency (IEA) "Moldova 2022: Energy Policy Review" 2022 https://www.iea.org/reports/moldova-2022/executive-summary

³⁵ European Parliament "European Parliament resolution of 21 October 2021 on the implementation of the EU Association Agreement with Moldova (2021/2753(RSP)" 21 Oct. 2021 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52021AE5429

³⁶ EU Neighbours East "How the Ungheni-Chisinau gas pipeline will help Moldova to gain the energy independence" 28 Oct. 2020 https://euneighbourseast.eu/news/stories/how-the-ungheni-chisinau-gas-pipeline-will-help-moldova-to-gain-the-energy-independence/

³⁷ Porcescu, Sergiu, et al. "Moldovan Migration Policy Dilemma: Brain Drain or Jobless Growth?" CARIM-East Research Report | Ośrodek Badań Nad Migracjami. 2014, https://www.migracje.uw.edu.pl/publikacje/moldovan-migration-policy-dilemma-brain-drain-or-jobless-growth-carim-east-research-report-3/

European Commission "A Green Deal Industrial Plan for the Net-Zero Age" [Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions] 1 Feb. 2023, https://commission.europa.eu/system/files/2023-02/COM_2023_62_2_EN_ACT_A%20Green%20Deal%20Industrial%20Plan%20for%20the%20Net-Zero%20Age.pdf

Renewable energy

By developing wind and solar power³⁹, Moldova can simultaneously meet its climate commitments and promote sustainable development while also addressing its ongoing challenge of high unemployment rates and emigration. Renewable energy projects can create a wide range of job opportunities, from construction and installation to operation and maintenance⁴⁰. These jobs can attract Moldovan citizens who have migrated to other countries in search of work, creating a potential influx of talented and skilled individuals who can contribute to the country's development. Additionally, investing in renewable energy can stimulate economic growth, attract investment, and promote innovation, which can further expand job opportunities across various sectors⁴¹.

To achieve this, Moldova needs to prioritize policies and initiatives that facilitate investment in renewable energy projects and address regulatory and fiscal barriers that hinder progress⁴². The government should improve the correlation between energy policies and climate change, environmental, and research and development policies. Foster cooperation between public and private stakeholders, civil society, and academia through the creation of permanent working groups and effective policy dialogues⁴³. Encouraging private sector participation, providing transparent guidelines, and implementing integrated planning strategies can also promote the growth of the renewable energy industry and create job opportunities for the local population⁴⁴.

Overall, investing in renewable energy can not only improve Moldova's energy security and reduce its carbon footprint but also create jobs and stimulate economic growth, providing a vital opportunity for Moldovans to return to their home country and contribute to its development.

Moldova's own power plant

Moldova has long sought to achieve energy independence and reduce its dependence on Russian gas imports, but the construction of a power plant based on renewable energy sources can also provide an opportunity to create jobs and encourage people to return to the country⁴⁵. By investing in renewable energy, Moldova can diversify its energy mix and reduce its carbon footprint, while also supporting the development of a new industry that can generate employment opportunities.

The construction of a power plant based on renewable sources of energy can attract domestic and foreign investors, promoting economic growth and innovation⁴⁶. The development of a renewable energy sector can also create job opportunities for Moldovan workers, providing a source of employment for those who have left the country in search of better economic prospects⁴⁷. This can encourage people to return to Moldova, supporting the country's development and stability.

⁴⁷ International Labour Organization (ILO) "Renewable energy jobs hit 12.7 million globally" 22 Sept. 2022 [Press Release] https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_856515/lang--en/index.htm



³⁹ UNECE - German Energy Agency "Factsheet: Renewable Energy in Moldova" June 2022, unece.org/sites/default/files/2022-11/UNECE-REUptake_Factsheet_Moldova_Final.pdf.

⁴⁰ International Renewable Energy Agency (IRENA) "Renewable Energy and Jobs. Annual Review 2022" 2022, https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms_856649.pdf

⁴¹ International Energy Agency (IEA) "It's time to make clean energy investment in emerging and developing economies a top global priority" 9 Jun. 2021 [Press release]. Retrieved from https://www.iea.org/news/it-s-time-to-make-clean-energy-investment-in-emerging-and-developing-economies-a-top-global-priority

⁴² Ibid.

⁴³ Op. cit.

⁴⁴ Op. cit.

⁴⁵ Op. cit.

⁴⁶ International Energy Agency (IEA) "World Energy Investment 2022: Overview and key findings" 2022, https://www.iea.org/reports/world-energy-investment-2022/overview-and-key-findings

Furthermore, by demonstrating its commitment to renewable energy, Moldova can attract further support and investment from the EU, further strengthening its ties with the bloc and creating opportunities for cooperation and collaboration. This can also help create employment opportunities for Moldovan workers, as the development of renewable energy projects often involves a range of technical and engineering skills that can be provided by local workers⁴⁸.

In conclusion, investing in renewable energy can not only help Moldova achieve its goal of energy independence and reduce its dependence on Russian energy, but also support the development of a new industry and create employment opportunities. By attracting domestic and foreign investment, Moldova can promote economic growth and encourage people to return to the country, contributing to its stability and development.

Tiraspol agreement

Transnistria conflict is a significant challenge for Moldova's energy security because the region holds a major gas pipeline that supplies Russian gas to Moldova and beyond⁴⁹. With the pipeline controlled by a Russian-owned company, Moldova's dependency on Russian gas has led to past energy shortages and economic instability⁵⁰. Resolving the conflict is necessary for Moldova to establish control over the region, diversify its energy mix, attract foreign investment, and reduce its carbon footprint. By doing so, Moldova can also get closer to EU membership, which would offer access to EU markets, financial assistance, and technical expertise.

This is not an easy task, as the separatists are strongly backed by Russia, and there are significant political and cultural differences between Transnistria and the rest of Moldova⁵¹. However, resolving the Transnistria problem is crucial for Moldova's energy security and economic development.

Conclusion

In conclusion, Moldova, a small landlocked country in Eastern Europe, faces several challenges to its energy security, including dependence on Russian gas imports, the ongoing conflict in the separatist region of Transnistria and the Russian aggression in Ukraine. Moldova has several opportunities to improve its energy security and create employment opportunities through investing in renewable energy, building pipelines to connect with Romania, and constructing its own power plant. However, achieving these goals will require strategic planning, policy initiatives, and financial support from both domestic and international actors. Additionally, resolving the Transnistria conflict is crucial for establishing control over the region's gas pipeline and reducing Moldova's dependency on Russian gas. By pursuing these policies, Moldova can not only improve its energy security and economic development but also strengthen its ties with the EU and reduce its carbon footprint.



⁴⁸ Op. cit.

⁴⁹ Wilson, Andrew. "Cold Winter: How the EU Can Help Moldova Survive Russian Pressure and Protect Its Democracy – European Council on Foreign Relations." ECFR, 15 Nov. 2022, ecfr.eu/publication/cold-winter-how-the-eu-can-help-moldova-survive-russian-pressure-and-protect-its-democracy/.

⁵⁰ Ibid.

⁵¹ Ibid.

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