



Letter of Intent

between the Government of the Republic of Moldova and the European Commission

A Comprehensive Package for Energy Resilience and Independence of Moldova

The Government of the Republic of Moldova and the European Commission express their mutual intent to work together on a Comprehensive Package for Energy Resilience and Independence of Moldova. The aim of the Comprehensive Package is to address the energy supply and energy price crisis in Moldova and to allow Moldova to improve its energy resilience and security through investments and reforms in the energy sector and a full phase out of any form of dependence on Russian supply of energy resources. The comprehensive package aims to put Moldova on a trajectory towards a resilient, sustainable and economically viable energy market, which would be progressively integrated with the EU market. Energy sector modernisation would be a critical contribution to Moldova's EU path and would accelerate its economic growth as foreseen in the Moldova Growth Plan that is currently being developed.

The Government of Moldova and the European Commission recognise the challenging situation in Moldova, and in particular the severe humanitarian situation of the Transnistrian region (the "Left Bank") in January, which is caused by the interruption of supply by Russia of natural gas. The interruption of supplies from Russia has revealed a major security of supply vulnerability which the Comprehensive Package aims to address.

The Government of Moldova has managed to secure sufficient gas supplies and imports of electricity from the EU market to satisfy the energy needs of the Moldovan households and businesses on the right bank of the Nistru river (the "Right Bank"). It is also important to mitigate the potential social and economic consequences associated with high energy costs in the country. Due to Gazprom not honouring its contracts, the humanitarian situation on the Left Bank in January was particularly challenging, with reported power outages and disconnections which put at risk the welfare of the Transnistrian region's more than 350,000 inhabitants.

The Government of Moldova and the European Commission are of the view that long-term viability and sustainability of the Moldovan energy sector would require:

- (i) **A roadmap accelerating substantial and comprehensive reforms** aligned with Moldova's legal commitments under the Energy Community Treaty and requirements stemming from the enlargement process (key principles of the reform roadmap are outlined in Annex 2)

- (ii) **An investment plan** to develop new and modernise existing power generation capacities, develop balancing market services, to improve the energy efficiency of buildings and to modernise the heating systems (indicative priority investment priorities are highlighted in Annex 3)
- (iii) A **socially acceptable approach for progressive energy price alignment**, accompanied by a robust and expanded mechanism for mitigating the impact of higher energy prices, including notably the protection of vulnerable consumers.
- (iv) A clear **strategy for ensuring that Moldova can be decoupled from the insecurity related to Russian gas** supplies in the future both in terms of gas use for heating and for electricity generation.

The European Commission, with the assistance of its partners intends to provide financial support to Moldova which is necessary to carry out the reforms, accelerate investments and enable fully functioning energy markets coupled with a socially acceptable strategy for the support and protection of vulnerable consumers. The EU support for investments would be channelled through the Moldova Growth Plan that is under development and would facilitate the roll out of renewable energy sources including high potential consumer solutions, support energy efficiency improvements and the development of balancing services market.

The Government of Moldova intends to undertake the necessary substantial and credible reforms of the energy sector, such as the full transposition of the Electricity Integration Package, the increase of strategic gas reserves, the adoption of the National Energy and Climate Plan and the opening of the industrial gas market to competition.

The Government of Moldova also intends to accelerate investments in renewable power generation, balancing, energy efficiency and generation capacities in general, aspiring to reach the targets in line with the draft National Energy and Climate Plan.

The Government of Moldova and the European Commission therefore aim to develop a Comprehensive Package for the Energy Resilience of Moldova which would identify key reforms and investment priorities for the energy sector and provide adequate financing.

It is envisaged that the Package is rolled out in three steps.

As a **first step**, the European Commission has already offered, on 27 January, **an emergency support package of EUR 30 million** to support electricity imports from the EU for the Right Bank and to finance the purchase on EU platforms or in Ukraine, of natural gas to be delivered to the Transnistrian region to help restore electricity and heating for the region's inhabitants. This first step covers basic energy needs until 10 February 2025. Implementing modalities were agreed by the Moldovan authorities on 31 January and the package has been put in effect.

As a **second step**, the Government of Moldova would compensate all excess electricity costs for all households for up to 110 kWh until 31st December 2025. It would also compensate the entire increase of electricity costs for social institutions, including kindergartens, schools and hospitals in the amount of EUR 20 million. For the most exposed households a dedicated hardship fund of EUR 25 million will be put in place to alleviate the energy bills. In addition, agri-food and manufacturing businesses will benefit from EUR 15 million of support with their energy bills. Furthermore, through the mobilisation of international financial institutions, additional funding of EUR 50 million will be provided for readily available or

quick-to-absorb investments in energy efficiency projects by local public authorities, households and SMEs.

To this end the Government of Moldova would benefit from a financial support package of EUR 250 million of which EUR 100 million to be paid by mid-April 2025.

In parallel under this strategy EUR 60 million is available to cover the heating and electricity needs on the Left Bank in order to avoid negative social and economic effects on the Right Bank. This should allow consumers of social importance to have 70% of their pre-crisis consumption level covered. Financing for this component will come on top of the existing financial packages for Moldova. This assistance is subject to the fulfilment of concrete steps concerning human rights and fundamental freedoms in the Transnistrian region to be agreed with the Government of the Republic of Moldova prior to delivering the assistance. Steps would also need to be taken to start aligning energy prices with market levels. Large industrial consumers and companies exporting to international markets would pay market prices for energy. Energy intensive activities cannot benefit from the support directly or indirectly.

The European Commission and the Government of Moldova envisage key prior actions, outlined in Annex 1, which should be taken in order to ensure progress on both sides.

As a **third step**, the European Commission and the Government of Moldova intend to agree on:

- an **Action Plan** move towards Energy Resilience and Independence for Moldova within two years. It would bring together key actions and benchmarks reflecting progress to be achieved on the implementation of the reform roadmap, the investment plan and on the strategy for progressive energy price alignment.
- A **Financing Strategy** for the action plan including grants, loans and technical assistance.

The third step would be included in the Reform Agenda under the Moldova Growth Plan, to be reinforced by international partners as necessary.

The European Commission and the Government of Moldova envisage to co-host a meeting of the Moldova Donor Platform to discuss the strategy and its implementation.

EU support is envisaged to come on top of the EUR 240 million provided between 2021 and 2024 in direct budget support to Moldova's energy sector to help the most vulnerable people. In addition, since 2021, the EU has provided EUR 67 million in grants which have mobilised more than EUR 640 million investments to support Moldova's energy efficiency in public and residential buildings and the transition to green energy.

The Action Plan and the Financing Strategy would be designed and developed so as to be agreed by 16 March 2025 and to be integrated into the Reform Agenda under the Moldova Growth Plan that is currently being developed. The technical assistance for the implementation of the reform roadmap would *inter alia* be delivered through the projects “Powering the Transition: Advancing Energy Governance and Integration in the Republic of Moldova” and EU4Energy Phase II+, managed by the Energy Community Secretariat.

Decisions under the Package would be taken in full respect of the EU’s Legislative and Budgetary procedures. The European Commission would keep the European Parliament and

the Council duly informed about the implementation of the Package under the Moldova Growth Plan.

This Letter of Intent does not create legally binding obligations on either the Government of Moldova or the European Commission.

Chisinau, February, 4, 2025

For the Republic of Moldova:

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Dorin Recean, Prime Minister

For the European Commission:

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Marta Kos, Commissioner for Enlargement

ANNEX 1: KEY PRIORITY ACTIONS FOR THE DISBURSEMENTS OF POTENTIAL EU ASSISTANCE

As part of the implementation of the first and second steps of the package, the European Commission will make financing available to help address the most immediate emergency needs as well as provide support until mid-April.

An initial pre-financing EUR 30 million for the emergency is made available upon receipt of a disbursement request in February reflecting progress on:

- Signature of the present Letter of Intent by the European Commission and the Government of Moldova.
- The Government of Moldova ensures that Energocon purchases and supplies to the Left Bank, a maximum volume of natural gas for EUR 20 million. EUR 10 million is available to the Government of Moldova to support electricity provision on the Right Bank.
- Energocon purchases all the required volume of natural gas or electricity from EU platforms and/or Ukraine.

The European Commission would seek to provide pre-financing of EUR 50 million by **16 March** reflecting:

- Agreement between the Government of Moldova and the European Commission on an Action Plan for the Energy Resilience and Independence of Moldova bringing together key actions and benchmarks reflecting progress to be achieved on the implementation of the reform roadmap and the investment plan.
- Adoption of the National Energy and Climate Plan (NECP).
- The Government of Moldova requests a new financial instrument from the EBRD.
- The Government of Moldova will adopt a Government Decision to stipulate a full phase out of any form of dependence on Russian supply of energy resources
- Should the support to the Transnistrian region be taken up for the period February – April, then an agreement would be needed on the coverage of the period until mid-April regarding the provision of gas for the consumers of social importance. In that case an additional pre-financing of EUR 30 million is made available as long as concrete steps concerning human rights and fundamental freedoms in the Transnistrian region are taken.

The European Commission will seek to provide further financing of potentially EUR 50 million by **mid-April** reflecting progress on the following key reforms:

- The Government of Moldova will present draft rules to the parliament to meet gas storage obligation of at least 15% which shall be achieved through market-based instruments. The Government of Moldova will adopt rules requiring the removal of large industrial gas customers from the scope of the public service obligation with effect from 1 October 2025.

- The Government of Moldova will resubmit its opinion as referred in Article 11 Gas Directive of 2009/73/EC, as adopted in the Energy Community to ANRE for consideration in relation to the certification of Vestmoldtransgaz.
- The Government of Moldova will invite ANRE to organize a transparent and non-discriminatory procedure for the selection of a universal service supplier of gas by September 2025.
- The Government of Moldova presents to the parliament a draft Electricity Law fully transposing the Electricity Integration package and draft VAT legislation on reverse taxation for electricity and gas.
- The Government of Moldova will require that Moldelectrica launches an open and transparent tender for electricity balancing capacities by September 2025 compliant with Energy Community law. The European Commission will provide technical assistance to support the tender.
- The Government of Moldova approves an action plan for organising new renewable and energy storage auctions in 2025, specifying the allocated capacities for each auction, with a view to fast-track renewables energy deployment by the end of 2026. The European Commission will provide technical assistance to support the development of the action plan.
- Should the support to the Transnistrian region be taken up, an additional pre-financing of EUR 30 million is made available as long as concrete steps concerning human rights and fundamental freedoms in the Transnistrian region are taken.

1. ANNEX 2: PRINCIPLES OF THE REGULATORY ROADMAP

- Full transposition of the EU energy acquis for accelerated integration with the EU energy markets.
- Establishing and opening of the gas and electricity markets to fair competition and in close cooperation with Romania and Ukraine.
- Enhancing security of supply mechanisms and addressing dependencies on Russian energy supply.
- Progressive energy price alignment with market prices across the entire territory of Moldova.

ANNEX 3: INVESTMENT PRIORITIES

- Fast track energy efficiency measures and savings in public and residential buildings.
- Fast track renewable energy deployment, alongside with battery system storage solutions, with strong focus on prosumer solutions which can be deployed fast and significantly reduce household energy bills. This could amount to 70 MW per year of additional production, generating revenues for citizens.
- Expedite preparatory work for large scale power generation/energy storage investments to address energy security and accompany renewable power generation deployment.
- Expedite investments in interconnectors including the completion of Vulcanesti-Chisinau and Balti Suceava 400 kV lines as a matter of urgency, and establish the feasibility of Straseni-Gutinas and Balti-HPP Dnestrovsk interconnectors, and internal grid enhancements.