FOSSIL FUEL SUPPORT COUNTRY NOTE

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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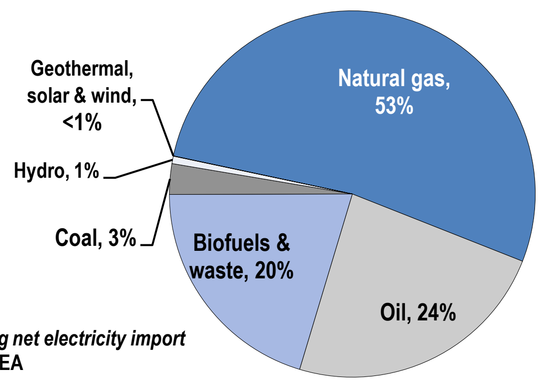
Republic of Moldova

The OECD Inventory of Support Measures for Fossil Fuels identifies, documents and estimates direct budgetary support and tax expenditures supporting the production or consumption of fossil fuels in OECD countries, eight partner economies (Argentina, Brazil, the People's Republic of China, Colombia, India, Indonesia, the Russian Federation, and South Africa) and EU Eastern Partnership (EaP) countries (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine).

Energy resources and market structure

Total primary energy supply (TPES) in Moldova in 2018 was 3.1 million tonnes of oil equivalent (Mtoe) continuing the trend of 4-5% annual growth seen in the period 2015-2018. Poorly endowed with energy resources, Moldova is highly dependent on imported energy (75% of TPES). Imported natural gas and petroleum products dominate the country's energy balance (30% and 32% of TPES respectively) followed by domestically-produced biofuels and electricity at 25% and 10% of the country's energy balance.

Total Primary Energy Supply* in 2017



**excluding net electricity import*
Source: IEA

Natural gas is exclusively imported from the Russian Federation via Ukraine and is the main fuel for electricity and district heating generation amounting to approximately 1 billion m^3 per year. In 2018, the average price for gas purchased from the Russian corporation Gazprom stood at USD 217/1 000 m^3, 34.2% higher than in 2017. In order to diversify supplies and connect with the Romanian and European gas markets, the construction of the Ungheni-Chișinau pipeline (120 km) commenced in 2018 with planned completion by 2021 at a total cost of EUR 70-90 million.

In 2018, the country's total electricity consumption stood at 4.3 TWh. Of these, 60% was supplied by the Kuchurgan combined heat and power plant (CHP) located in the uncontrolled Transnistria region, 20 % by two domestic CHPs and one hydro power plant, and the remaining 20 % imported from Ukraine.

Heat production is mainly gas-fired using heavy fuel oil as a reserve fuel.

Oil products are imported, mostly from Romania, and amounted to virtually all the refined petroleum supplies in the country in 2018.

Prices and taxes

The National Energy Regulatory Agency (ANRE) is the government agency responsible for regulating and approving electricity, gas and heat tariffs in Moldova based on applications from energy generation and distribution companies. In Moldova, prices of refined oil products, mostly imported, are deregulated.

In 2018, electricity and natural gas tariffs were decreased by 10% and 20% respectively, in response to currency appreciation. Tariffs for district heating remain unchanged.

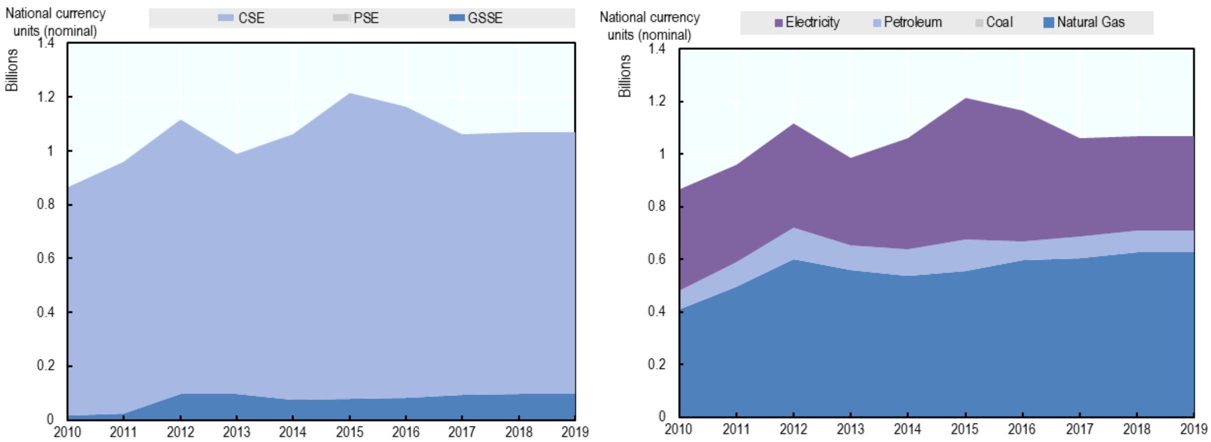
The taxation system of Moldova comprises of six general state taxes (VAT, excise tax, corporate income tax, personal income tax, custom tax and road tax) and 14 local taxes (property tax, land tax, natural resources taxes, etc.). Energy production and distribution in Moldova is not subject to any specific taxation beyond those taxes levied on all types of commercial activities.

The consumption of gasoline and diesel, as well as liquefied petroleum gas (LPG) is subject to an excise tax. Natural gas, compressed natural gas, electricity and heat production are not subject to excise tax. The Moldova Fiscal Code sets a reduced VAT (8%) for the delivery of natural gas and LPG, and 0% VAT for delivery of electricity and heating to households, where the standard VAT rate is set at 20%.

Recent developments and trends in support

The main subsidy schemes in energy sector of Moldova maintained in 2018 are: (i) Reduced VAT rates for heating and electricity, natural gas and LPG consumption by households; (ii) Direct subsidies from state budget to vulnerable households for energy; and (iii) Budget support for investments in energy infrastructure.

Total support for fossil fuels in Moldova by support indicator (left) and fuel type (right)*



Note: CSE=Consumer Support Estimate; Support Estimate GSSE=General Services Support Estimate.

*The above charts are based on an arithmetic sum of the individual support measures identified in the Inventory. Because they focus on budgetary costs and revenue foregone, the estimates for partner economies and EaP countries do not reflect the totality of support provided by means of artificially lower domestic prices. Particular caution should therefore be exercised when comparing these estimates to those reported by the IEA for these countries. Data for 2019 are preliminary.

During the period 2016-2018, the value of energy subsidies remained at the same level of Moldovan Leu (MDL) 1.2 billion. Over 92% of the total comes from consumer support by reducing VAT for energy consumption with the rest comes from the budget support of investments in energy infrastructure. About 93% is made up of subsidies for gas while the share of subsidies for oil is 7%.

Examples of measures	
Social support to households in the border with Transnistria region	The government compensates at least 50% of electricity and natural gas fees to households live in the communities from Transnistria region (which are under control of Moldova government), which contributes to poverty reduction in rural areas.
Reduced VAT rates for natural gas, electricity, and LPG consumption	The Moldova Fiscal Code sets a reduced VAT (8%) for delivery of natural gas and LGP, and 0% VAT for delivery of electricity and heating to households where the standard VAT rate is set at 20%.