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POSITION PAPER

Higher tariffs, record profits, and limited transparency. What questions does the new request to increase gas prices raise?

1. Context

The request submitted by Energocom JSC to the National Agency for Energy Regulation (ANRE) to increase the regulated natural gas tariff from MDL 14.42/m³ to MDL 20.93/m³, representing an increase of more than 45%, reopens one of the most important economic debates in the Republic of Moldova: how justified is the price paid by consumers, and how transparent is the mechanism through which it is determined?

According to Energocom, the adjustment is driven by the increase in natural gas procurement costs. The company argues that the average procurement price included in the current tariff is EUR 404.24/1,000 m³, while for the upcoming period it estimates a cost of approximately EUR 623.54/1,000 m³. The company maintains that, without a tariff adjustment, it could incur financial losses. This explanation has an economic basis and cannot be ignored in a volatile market. However, any request to increase tariffs must be assessed in the context of the company's financial results, the level of transparency surrounding gas procurement, and the manner in which the final price paid by consumers is calculated.

In a strategic sector such as energy, public trust cannot be built solely by announcing new tariff increases. It must be based on transparency, predictability, and the possibility of independently verifying all the components that determine the final price.

2. Energocom's record profit and the questions it raises

Last year, Energocom JSC became the largest company in the Republic of Moldova by turnover, reporting revenues of approximately MDL 14.9 billion and a net profit of approximately MDL 793 million.

It is important to clarify that a company's accounting profit in one financial year does not automatically guarantee that it will achieve the same results in the following year. The natural gas market is one of the most volatile markets in Europe, and procurement costs can vary significantly over a short period of time.

Nevertheless, there is a legitimate question that the public has the right to ask. If the company recorded a net profit of almost MDL 800 million in the previous year, to what extent could this financial result help absorb part of the new costs without transferring the entire burden to consumers through a tariff increase of more than 45%?

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This question does not challenge the right of a state-owned company to operate efficiently and generate a profit. It seeks, however, to clarify whether all financial optimisation options were considered before requesting an additional financial effort from households and the business community.

3. Lack of transparency in the gas procurement process

In recent years, one of the most controversial issues in the energy sector has been the lack of transparency surrounding natural gas procurement.

For approximately one year, the procurement price of natural gas was not made public. The explanation provided by the authorities was that disclosing this information during negotiations would have weakened the Republic of Moldova's commercial position and allowed traders to adjust their offers accordingly. This argument may be justified while negotiations are ongoing. However, once procurement procedures have been completed and contracts have been concluded, the public interest should prevail. Natural gas is purchased using funds that, directly or indirectly, come from consumers and public resources. Under these circumstances, transparency is no longer merely an administrative choice but an obligation towards citizens.

The lack of complete information has generated numerous speculations and controversies in the public sphere. In this context, a claim emerged that, over the past three years, the Republic of Moldova had paid approximately USD 544 million more than the European Union average for natural gas procurement. Regardless of whether this claim is accurate, it must be clarified through official data and a transparent methodology. If the information is incorrect, the authorities must demonstrate this. If it is accurate, citizens have the right to know why the Republic of Moldova paid a higher price than other European countries and which factors caused this difference.

4. How ANRE explains the formation of the gas price

Following the numerous questions raised in the public sphere, ANRE explained how the regulated price of natural gas is determined.

According to the institution, the final price does not consist solely of the cost of the purchased gas but includes several components.

The current structure is as follows:

- Natural gas procurement cost — MDL 9,381/1,000 m^3, approximately 60%;
- Transmission service — MDL 254/1,000 m^3, approximately 2%;
- Distribution service — MDL 4,401/1,000 m^3, approximately 28%;
- Supplier's expenses — MDL 625/1,000 m^3, approximately 4%;
- Supplier's return — MDL 90/1,000 m^3, less than 1%;
- Tariff deviations — MDL 750/1,000 m^3, approximately 5%.

At first glance, this structure appears sufficiently clear. In reality, however, an analysis of each component raises more questions than it answers.

5. Procurement cost — the largest and least transparent component

According to ANRE's explanations, the procurement cost of MDL 9,381/1,000 m³ represents the weighted average of all purchases made during the regulatory period. The institution explains that the Dutch TTF index is merely a reference benchmark and that the actual gas price may differ depending on commercial contracts, the period during which the purchases were made, and logistical costs. ANRE also specifies that this component includes the costs of transporting gas from the procurement region to its delivery into the Republic of Moldova's national transmission system. This explanation is technically correct. The problem arises, however, when an independent verification of these costs is attempted. ANRE publishes only the final amount — MDL 9,381/1,000 m³ — without presenting its structure.

It is therefore impossible to verify:

- the exchange rate used to calculate the average cost;
- the actual cost of the purchased gas;
- the cost of international transportation;
- the cost of reserving transmission capacity;
- the cost of storage;
- the value of commercial premiums paid to traders;
- whether other logistical or financial costs are included in this component.

All these elements are included in the amount of MDL 9,381/1,000 m³, but they are not presented separately in public documents.

This lack of detail makes it impossible to independently verify the most important component of the tariff. Moreover, it makes an objective comparison with other European countries impossible. If the Republic of Moldova purchases gas at a competitive price, this should be demonstrated through data. If the differences compared with other countries are caused by transportation costs, capacity reservations, or other logistical services, this information should also be made public. In the absence of such a breakdown, consumers are required to accept a final figure without being able to understand how it was calculated.

6. Distribution — almost one-third of the consumer's bill

While the analysis of procurement costs raises questions regarding transparency, the distribution component raises questions regarding the structure of costs.

According to ANRE, distribution amounts to MDL 4,401/1,000 m³, representing approximately 28% of the final price paid by consumers. By comparison, the transmission of natural gas through the national system costs only MDL 254/1,000 m³, representing approximately 2% of the final price. In other words, distribution is approximately 17 times more expensive than transmission.

ANRE explains this difference by noting that distribution involves maintaining local networks, responding to breakdowns, connecting consumers, inspecting installations, recording consumption, and developing infrastructure. This explanation is logical and reflects the specific nature of distribution activities. However, as in the case of procurement costs, the publicly available information does not allow the manner in which this cost is calculated to be verified.

It is not known:

- how much is allocated to staff salaries;
- how much is allocated to administrative expenses;
- how much represents infrastructure depreciation;
- how much represents investments included in the tariff;
- how much represents technological losses accepted by ANRE;
- how much represents the return granted to distribution system operators.

Consumers are informed only of the final amount — MDL 4,401/1,000 m³ — without being able to understand how it was calculated. In the absence of such a breakdown, it is impossible to determine whether this component reflects exclusively necessary and justified costs or whether it includes elements that could be optimised.

7. Who actually owns the distribution networks?

One of the least discussed issues in the natural gas sector concerns the ownership of the distribution infrastructure itself. There is a widespread public perception that distribution system operators are also the owners of the networks through which they deliver natural gas. However, data from the Ministry of Energy reveal a much more complex situation.

According to the Ministry:

- only approximately 35.4% of the distribution networks are owned by gas companies;
- approximately 60.2% are owned by other owners;
- approximately 4.4% are networks with no identified owner.

Furthermore, of the networks operated by distribution system operators:

- approximately 44.9% are owned by individuals;
- approximately 41.9% are owned by local public authorities;
- approximately 13.3% are owned by legal entities.

These data significantly change the perspective on the distribution component. If a large part of the infrastructure is not owned by distribution system operators, a natural question arises:

How are these assets treated under the tariff methodology?

More specifically:

● for which assets is depreciation calculated?
● for which assets is a return granted?
● are networks built using public funds or citizens' investments included in the Regulatory Asset Base — RAB?
● if so, under what conditions?

These questions are important because ANRE's methodology allows investments to be recovered and a return to be granted on assets recognised in the Regulatory Asset Base. However, public documents do not contain sufficient information to explain how networks that are not owned by operators are treated. Given that distribution accounts for almost one-third of the consumer's bill, this clarification is a matter of public interest.

8. Tariff deviations — past costs paid in the present

Another important component of the tariff consists of tariff deviations amounting to approximately MDL 750/1,000 m³. These represent the difference between estimated costs and the costs actually incurred during a previous period. In practice, consumers are currently paying costs generated by past developments. From an economic perspective, such a mechanism may be justified as a means of preventing financial shocks for suppliers.

Nevertheless, this component also raises legitimate questions.

What is the exact methodology used to calculate the deviations?

Over what period are they recovered?

What measures have been taken to reduce the accumulation of such differences in the future?

This information is important because approximately 5% of the consumer's bill does not represent current consumption but the recovery of historical costs.

9. Transparency does not mean publishing a single number

Probably the most important conclusion arising from the analysis of public documents is that transparency does not mean publishing only a final figure.

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Consumers are currently informed that:

● the procurement cost is MDL 9,381/1,000 m³;
● distribution costs MDL 4,401/1,000 m³;
● transmission costs MDL 254/1,000 m³.

This information is insufficient to speak of full transparency. Transparency means that any economist, auditor, energy expert, journalist, or interested citizen can verify how each component was calculated. They should be able to follow the methodology, understand the assumptions used, and verify whether every cost is justified. In their current form, public documents do not allow such verification. Consumers know the final result but not the elements that led to it. In a strategic sector such as energy, transparency must mean more than publishing a final price. It must allow the entire tariff-setting mechanism to be independently verified.

Conclusions

The Civic Movement "Construim Încredere" does not rule out the need to adjust tariffs when procurement costs increase. However, such a need must be fully substantiated and does not remove the obligation of public authorities and state-owned companies to ensure a high level of transparency. An analysis of publicly available information shows that the most important tariff components — procurement costs and distribution — are not presented in sufficient detail to allow independent verification. At the same time, legitimate questions remain regarding the treatment of distribution assets owned by local public authorities, individuals, and legal entities, as well as regarding the structure of the costs included in the distribution tariff. In the absence of clear answers to these questions, any new tariff increase risks being perceived by society as insufficiently justified, even where it has a genuine economic basis.

Requests

Considering the major impact of gas tariffs on the population and the economy of the Republic of Moldova, we call on the competent authorities to:

1. Publish a complete breakdown of the procurement cost of MDL 9,381/1,000 m³, including:

● the actual price of the gas;
● international transportation costs;
● capacity reservation costs;
● storage costs;
● commercial premiums;
● other logistical and financial costs.

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2. Publish the complete structure of the distribution cost of MDL 4,401/1,000 m³, clearly indicating:

- salaries;
- administrative expenses;
- depreciation;
- investments;
- technological losses;
- the return recognised for operators.

3. Publish the complete methodology for calculating the Regulatory Asset Base — RAB, including the manner in which networks owned by local public authorities, individuals, and legal entities are treated.

4. Publish the regulated rate of return — WACC — applied to operators, together with its economic justification.

5. Publish the methodology used to compare the Republic of Moldova's procurement costs with those of other European countries.

6. Publish an annual detailed report on the structure of all components of the regulated tariff in a format that allows independent verification by experts, academia, civil society, and the media.

In a strategic sector such as energy, transparency is not merely an administrative obligation. It is an essential condition for strengthening public trust and ensuring that tariff decisions are credible, verifiable, and justified.