

PUBLIC CALL

6 Requests Regarding the Contract on Concession of the Exploration Works on 40% of the Territory of the Republic of Moldova

Overdependence of the Moldovan energy sector on imports makes energy sources diversification a constant national priority. Considering this, the authorities decided to concede for exploration purposes 40% of the country's territory. However, the concession mechanism established by authorities has a number of shortcomings and risks that have to be addressed.

During the works concession process, which ended with the signing of a contract with the US company Frontera Resources International (Corporation) LLC on 2 January 2017, a range of irregularities were found, as follows:¹

1. Inconsistent actions of the Ministry of Environment and Government at all stages of the concession process.
2. Law on Decision-Making Transparency violated: duration of public consultations was shorter than provided by the law (at least 15 working days).
3. Limited public consultations, including due to availability of information in Romanian only.
4. Issues related to the financial situation of the selected company overlooked due to insufficient selection criteria established by the Government.
5. Failure of the Government, and in particular of the Ministry of Environment, to involve properly the civil society during both the concessionaire selection, and the entire concession process.
6. Lack of clear and strict provisions on sanctions to be applied to the concessionaire for violation of the environmental protection legislation.
7. Monopoly on the exploitation works established (40% of the country territory), as well as the fact that Frontera Resources International Company will be able to conduct the exploitation as well, with no new tenders.

¹D. Cenusă, Concession of 40% of the Territory of the Republic of Moldova for Exploration Purposes: 10 Major Issues, 16 March 2017, http://www.expert-grup.org/media/k2/attachments/Concesionarea_lucrlrilor_de_explorare_a_40_din_teritoriul_Moldovei_10_probleme_majore_EN.pdf

8. Suspicious of deviations during the concession tender, leading to favoring of the Frontera Resources International Company by the Government. This refers to the fact that the Government representatives met with the representatives of the company that later won the tender, several months before the tender was launched.
9. The authorities' control over the geological exploration can be decreased. Due to the loopholes in the signed contract, the company is entitled to subcontract other companies, without the approval of the Moldovan authorities.
10. Both the company and the Government (authorities) can avoid any liability due to vague 'Force Majeure' conditions.

In view of the described concerns, especially those related to the environmental protection, as well of the statements of the Minister Valeriu Munteanu regarding the possibility to review the signed contract ², the Government and the Ministry of Environment are hereby called to urgently take the following actions:

1. **Suspend the contract of 2 January 2017, signed between the Ministry of Environment and Frontera Resources International, and along with that:**
 - a. **Organise transparent and inclusive public consultations**, with broad participation of the civil society representatives in the fields of environment, energy, anti-corruption policies, as well as of the local public authorities, especially from the targeted localities.
 - b. **Create a joint Committee to investigate how the initial concession tender was held.** The Committee has to comprise representatives of the National Anticorruption Center, Competition Council, as well as civil society representatives specialized in public procurement, anti-corruption policies, environment, energy, etc. It is also important to involve representatives of EU Delegation as the observers.
2. **Terminate the contract signed between the Ministry of Environment and Frontera Resources International** if public consultations and investigations confirm deviations from the procedure and good practices.
3. **Launch a new public concession tender in conditions of maximum transparency and competition**, provided that public consultations confirm the relevance and harmlessness of the exploration works for the population and environment.

² <http://newsmaker.md/rus/novosti/ot-vorot-uglevodorod-vlasti-gagauzii-obeshchayut-sozdat-problemy-kompanii-frontera-30584>

4. **Create a mixed Group to monitor the concession tender**, consisting of representatives of the Ministry of Environment (Government), local authorities of the targeted districts (on the Ungheni-Basarabeasca line), including from the Autonomous Territorial Unit Gagauzia (Gagauz-Yeri) and civil society representatives (environment, energy, anti-corruption policies).
5. **Establish a mechanism for monitoring, evaluation and communication on the implementation of contractual provisions, in the event of signing a new contract**, obligatorily ensured by the Ministry of Environment and the concessionaire, with active involvement of the civil society.
6. **Approve a framework document for any type of exploration and exploitation activities on the territory of the Republic of Moldova**, that would clearly stipulate both obligations and sanctions to be applied for violation of environmental legislation. The framework document would also have to **provide for prohibition to use exploitation methods harmful for the environment**, such as hydraulic fracturing for eventual extraction of shale gas, prohibition to pump toxic fluids in the extraction wells, as well as other means that could affect the ground waters and surface waters. This framework document must be reflected in the future concession contracts in the field.

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