

Energy Poverty in Moldova: Social Assistance versus Technical Capacitation

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October 2019

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“This publication was produced with the financial support of the European Union. Its contents are the sole responsibility of the author Denis Cenusa and do not necessarily reflect the views of the European Union”

Introduction

Moldova's legal framework in energy sector has improved significantly in 2016-2018, but only marginally in mitigating the 'energy poverty'. Newly adopted horizontal and sectoral legislation put an emphasis on liberalization of the energy sector, correcting and balancing the positions of different stakeholders on the market, and requesting energy efficiency measures. Undertaking the EU energy acquis as part of the legal approximation to the European Union (EU) and Energy Community solidified the conditions for a better functioning of regulatory framework and a more sustainable development of energy infrastructure. The changes aimed at rehabilitation the functioning of the interconnected energy sub-sectors, with the expectation that the self-regulating capacities of the market will generate benefits for operators, policy certainty for the decision-makers and the regulatory body, and guarantees of energy supplies to consumers. Only partially, the acquired legislation reflects the peculiarity of Moldovan market's capacity to subsist because of purchasing precarity of consumers, caused by low social payments and reduced financial resources of households.

Even if, the legislation operates with the notion of "vulnerable consumer", it lacks plausible solutions that would target and solve the issue of 'energy poverty' that affects large categories of population. Understood as a situation when *'individuals or households are not able to adequately heat or provide other required energy services in their homes at affordable cost'*¹, 'energy poverty' touches upon several interdependent elements. First, low individual or households' incomes undermine their financial ability to obtain energy-related facilities. Second, this type of poverty results from frequent episodes of politicization of the tariff policy by the market regulatory body, which diminishes the predictability and sustainability of energy prices. Third, the condition of energy poverty combines the inadequate energy efficiency in the maintaining of the livelihood, and only recently this started to be addressed. The majority of these aspects are largely overlooked in the energy landscape of legislation and public policy in Moldova. Thus, the current paper aims at explaining 'if' and 'how' the state authorities define 'energy poverty' in the current normative and policy framework.

The starting point in examining the energy poverty represents the incursion into the national legal framework that governs energy sector. Next, a set of indirect statistics features the manifestation of the energy poverty. Subsequently, the particularities of the tariff policy are brought attention. The description of the existing policies targeting socially related deficiencies to cope with energy prices follows. In conclusion, the paper tailors specific policy recommendation to address the issue in a comprehensive, systemic and sustainable manner.

¹ EU Energy Poverty Observatory, Addressing Energy Poverty in the European Union: State of Play and Action, August 2018, https://www.energypoverty.eu/sites/default/files/downloads/publications/18-08/paneureport2018_final_v3.pdf

Chapter 1. Legal aspects

Since the adoption of sectoral laws on gas and electricity in 2016, followed by the one on energy in 2017 and energy efficiency in 2018, the Moldovan energy-related legal framework showed a substantial progress. The ambitiousness of the introduced legislation lied in its intention to melt the monopolies, incentivize private investments in the sector and push for cleaner and more effective regulation. Notably, the concept of ‘vulnerable consumer’ entered the juridical sphere of the relations between the state authorities and energy operators. However, the responsibility to support the people in need to deal with energy bills is correlated to social protection policies. Additionally, the framework energy legislation (Law on energy of 21.09.2017²) delegates the competences to deliver assistance to vulnerable social groups to local public authorities. Contrary to the attempts to emphasize the need of qualitative and feasible energy deliveries, only the law on energy efficiency mentions the ‘energy poverty’. This essence of this topic is however marginally approached with practical measures of preventing, apart from financial payments offered during the wintertime.

The Energy Law, adopted in October 2017, envisages that state has to ensure the consumers with qualitative energy in line with equality, transparency and non-discriminatory criteria (Art. 2, (e)). Concomitantly, the protection of all consumers represents another overarching state obligation (Art. 2, (f)). Main attributions in creating conditions of energy supply, in feasible and efficient manner, are prescribed to local public administration. The latter has to allocate finances for improving the energy delivery to consumers from within the jurisdiction of the specific local public authorities. Similarly, the financial assistance is required for channeling compensations necessary for the payments of energy bills. Both for augmenting the supply capacities, and for compensating the consumers in need, the local authorities should act strictly in the limits of their budget.

The provisions of the **Law on natural gas**³ and **Law on electricity**⁴, passed in the same day (May 27, 2016), bring several elements that are closer to ‘energy poverty’. In first place, the two laws introduce the concept of ‘vulnerable consumer’, vaguely defining it as individuals that according to the social protection regulations are qualified as ‘underprivileged person or member of an underprivileged family’ (Art. 2). The same laws formulate several provisions (under Art. 84 and Art. 67 respectively) that explain what are the special conditions that the ‘vulnerable consumers’ can benefit to reduce their energy precarity. Primarily, both laws reassure that such category of consumers are ‘protected under the social protection policies’, thereby transferring a big share of responsibility to non-energy public sectors. But even the coverage by the social protection policies should not hinder the energy market interests and functionality. Partially, the responsibility to support the vulnerable individuals is partitioned with the energy operators.

² Energy Law of 21.09.2017, <http://lex.justice.md/md/371969/>

³ Natural Gas Law of 27.05.2016, <http://lex.justice.md/md/%20365664/>

⁴ Electricity Law of 27.05.2016, <http://lex.justice.md/md/365659%20/>

However, there is no concrete obligation only the right to use ‘mechanisms of support’ in order to prevent the cut off of gas or electricity supply. This refers mainly to the situations when payments for energy bills are delayed meaning that the consumers handle poorly the payments.

The examined legislation also demonstrates that the state authorities have no holistic approach to address the issues of energy poverty. By defining the ‘vulnerable consumers’, the state only limitedly acknowledges the existence of problematic social groups suffering deprivation of energy character. The responsibility for this group is shared between the local public authorities, which are constrained by their local budgets, and very generalized policies of social protection. The companies from the sector can contribute as well, but rather as an act of good will than of some well-regulated commitments. The existing legislation does not require any secondary legislation (regulations) designed to help ‘vulnerable consumers’, and even less to deal deeper with the ‘energy poverty’. Consequently, there is no mechanism of measuring the negative effects of energy poverty on Moldovan citizens.

“Energy poverty” is expressly mentioned in the **Law on energy efficiency**⁵ (July 2018). It defines the energy poverty as lacking access to energy and related technologies or resulting from reduced purchasing power of the fuels to cook or of energy suppliers to heat and use electricity (Art. 3). The provided schemes of energy efficiency prioritize the measures with social impact, which aim countering the poverty energy (Art. 8).

The only plausible legal provisions that support citizens overcoming the payment pressure in energy filed lie in the **Social Aid Law of 2008**⁶. This act introduces the notion of “disadvantaged family” and limits its effects to the so-called “cold period of the year”. During this interval the disadvantaged families can receive a monthly fixed payment. A specific 2018 regulation details the rules under which the social aid is offered (*More details read in Chapter 4*).

Furthermore, the provisions of the **Law on local authorities**, passed in December 2006⁷, clarify the competences of authorities at the local regarding the ensuring of social protection. On the one hand, the local councils⁸ should contribute to the implementation of actions of social protection. On the other one, they decide upon the individuals qualified as socially vulnerable in terms of living conditions (Art. 14, (y)). Besides the local councils, the Law envisages that the mayors have supervisory competences on measures related to social protection and social assistance, and individuals grouped as vulnerable social contingent (Art. 29,

⁵ Energy Efficiency Law on 19.07.2018, <http://lex.justice.md/md/376829%20/>

⁶ Social Assistance Law of 13.06.2008, <http://lex.justice.md/viewdoc.php?id=329197&lang=1>

⁷ Local Public Administration Law of 28.12.2006, http://lex.justice.md/document_rom.php?id=C8E304A4:037190E8

⁸ Elected local bodies that plays a deliberating role in decision-making at the local level, in the limits of the local competences, and counter-balancing the mayor office.

(j, r)). At the level of council of the administrative territorial units ('rayons'⁹) the responsibility consists of deciding the registration of socially vulnerable people that need improvement of the living conditions in line with the 2015 **Housing Law**.¹⁰

The Housing Law specifies the conditions under which social housing is allocated for poor categories of citizens, and refers to the restrictions that the individuals encounter with regard to residential blocs. To be eligible for receiving social housing, the monthly income of the family per each of the family member should not overcome the size of living subsistence, which accounted for approx. 90 EUR in 2018 (1891 MDL)¹¹, and no housing is available. The socially vulnerable groups are obliged to update the mayor office about the changes in income and are allowed to delay the payments for bills (that include energy as well) for not longer than 6 months. At the same time, the regulation on rented housing rejects the right to insulate the flats without authorizations from the local public authorities. This can complicate the attempts to improve the energy consumption in residential blocks.

Neither the Law on local authorities nor the Housing Law introduces anyhow the issue of 'energy poverty' or at least 'vulnerable consumers'. However, the Social Aid Law envisages financial support to some categories of families, if eligible as "disadvantaged", for the "cold period of the year". The Law addresses mainly to the heating needs than solves much larger issue of "energy poverty". The screened legislation shows that the state policy towards poor people is placed under the big umbrella of social protection measures and not regulated as part of the energy governance.

Still under drafting is the new legislation that should replace the **old Law on condominium** and the provisions that impede the improvement of the energy consumption in housing buildings. Only with 2/3 of the votes of the members of the owners' association decision can be made, which because of ordinary migration or simple lack of means can obstruct measures meant to cope with energy poverty.

⁹ Moldova is organized in 32 administrative territorial units.

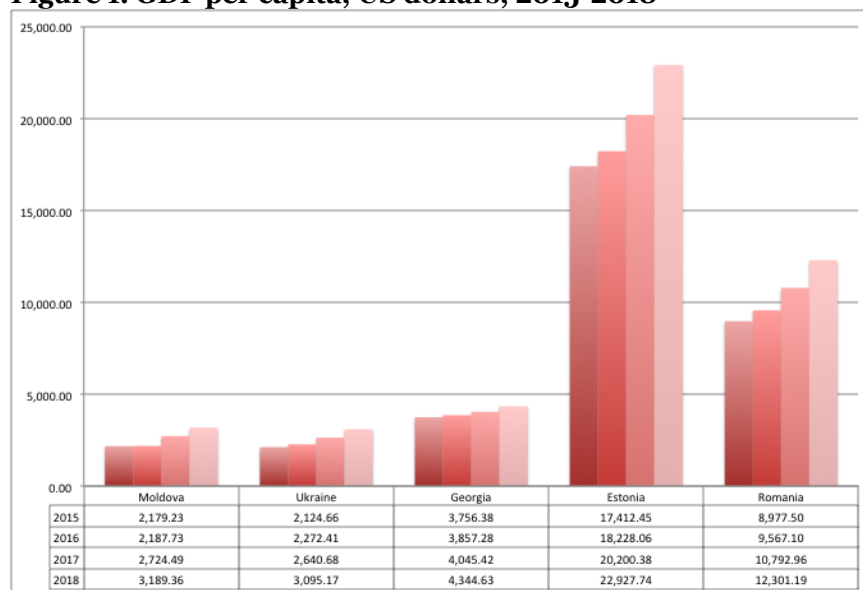
¹⁰ Housing Law of 30.04.2015, <http://lex.justice.md/md/358764/>

¹¹ National Bureau of Statistics, Living subsistence in 2019, <http://statistica.gov.md/newsview.php?l=en&id=6329&idc=168>

Chapter 2. Preliminary assessment of energy poverty

The “energy poverty” in Moldova has visible social-economic reasons. Slowly growing economy has repercussions on the budget revenues and also on the incomes of the citizens (*See Figure 1*), which increases the vulnerability against the prices for the energy services.

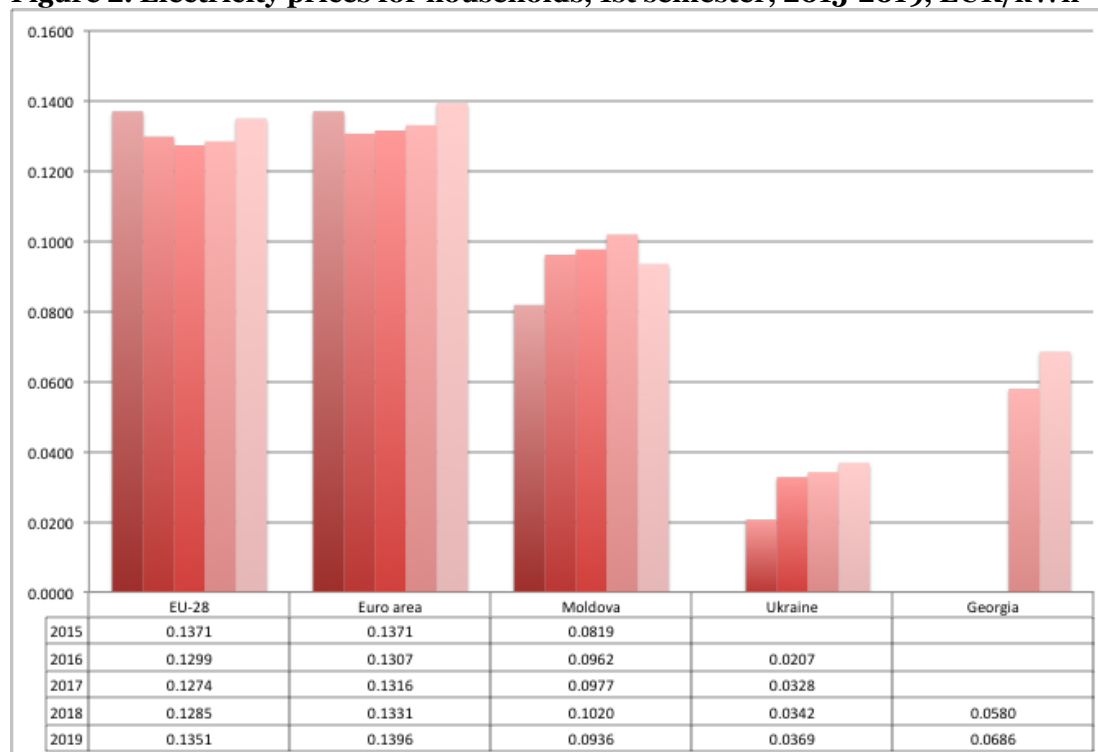
Figure 1. GDP per capita, US dollars, 2015-2018



Source: [World Bank](#)

Though Moldova has higher tariffs than Ukraine and Georgia, the electricity prices are lower than in EU countries. Moreover, the afferent taxes for electricity paid by Moldovan households are significantly below the regional level (*See Figures 2 and 3*). This evidence indicates that the energy difficulty for the population results not from the high tariffs but rather from the performance of the national economy.

Figure 2. Electricity prices for households, 1st semester, 2015-2019, EUR/kWh



Source: [Eurostat](#)¹²

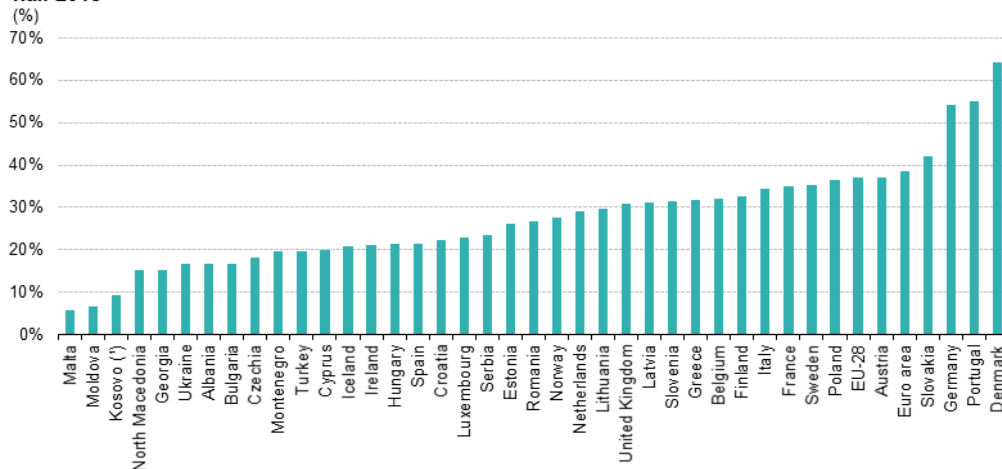
Analyzed by tariffs for consumers, Moldova is below the European average of price for electricity. Additionally, according to the amount of additional taxes and levies for electricity, Moldova is placed better than the majority of EU and Western Balkan countries. Contrary to other countries in the region, Moldovan households do not pay any VAT for the consumption of electricity.¹³ This influences considerably the tariffs that otherwise would be much higher (*See Figure 3*).

¹² Households that consume more than 2 500 kWh and less than 5 000 kWh

¹³ OECD, Energy Subsidy Reform in the Republic of Moldova, October 2018, https://www.oecd-ilibrary.org/environment/reforma-subven-iilor-energetice-in-republica-moldova_9789264306462-ro

Figure 3. Taxes paid by households for electricity in EU-28, Western Balkans and the Associated countries, %

Share of taxes and levies paid by household consumers for the electricity, Second half 2018



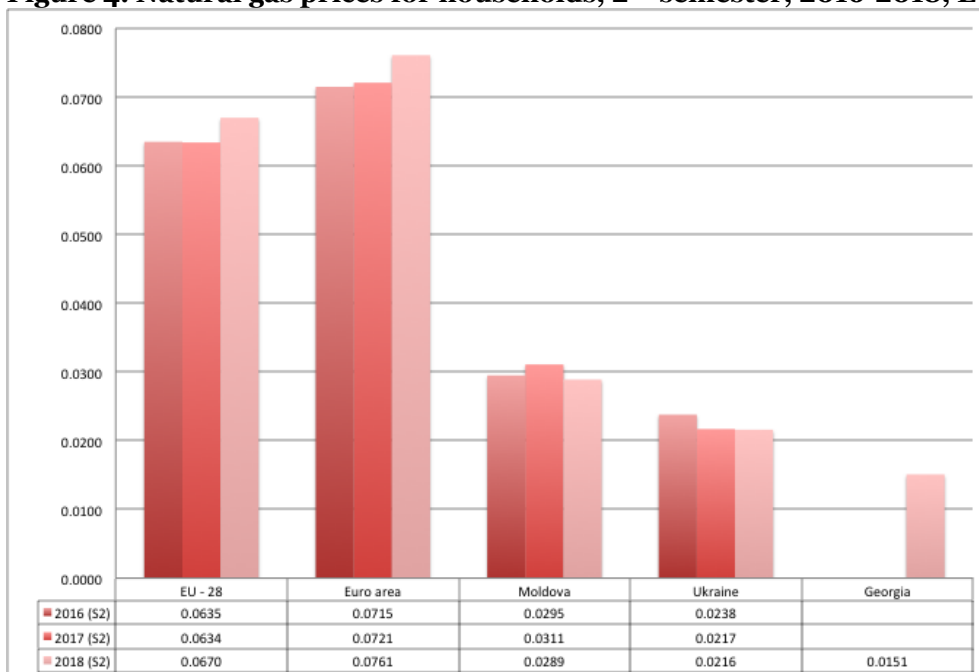
(*) This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo Declaration of Independence.

Source: Eurostat (online data codes: nrg_pc_204)

eurostat 

Compared to the prices and taxes for electricity, the Moldovan consumers are facing VAT of 8% for the utilization of natural gas if to compare to the EU average. The data also show that the collateral taxes deducted from the Moldova consumers are two times smaller than in Ukraine and Georgia, and even smaller than for the European households (*See Figures 4 and 6*). This sort of subvention keeps the price for 1000m³ smaller than it could be if a higher VAT is enforced.

Figure 4. Natural gas prices for households, 2nd semester, 2016-2018, EUR/kWh

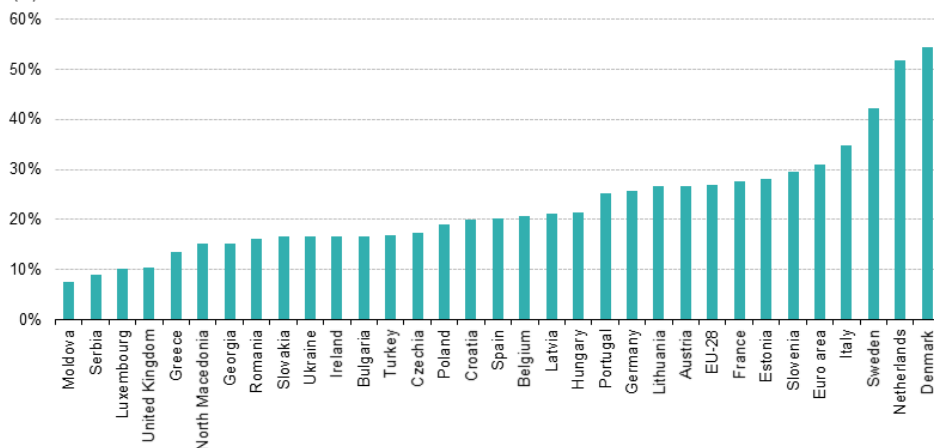


Source: [Eurostat](#)

Figure 5. Taxes paid by households for gas in EU-28, Western Balkans and the Associated countries, %

Share of taxes and levies paid by household consumers for the natural gas, second half 2018

(%)

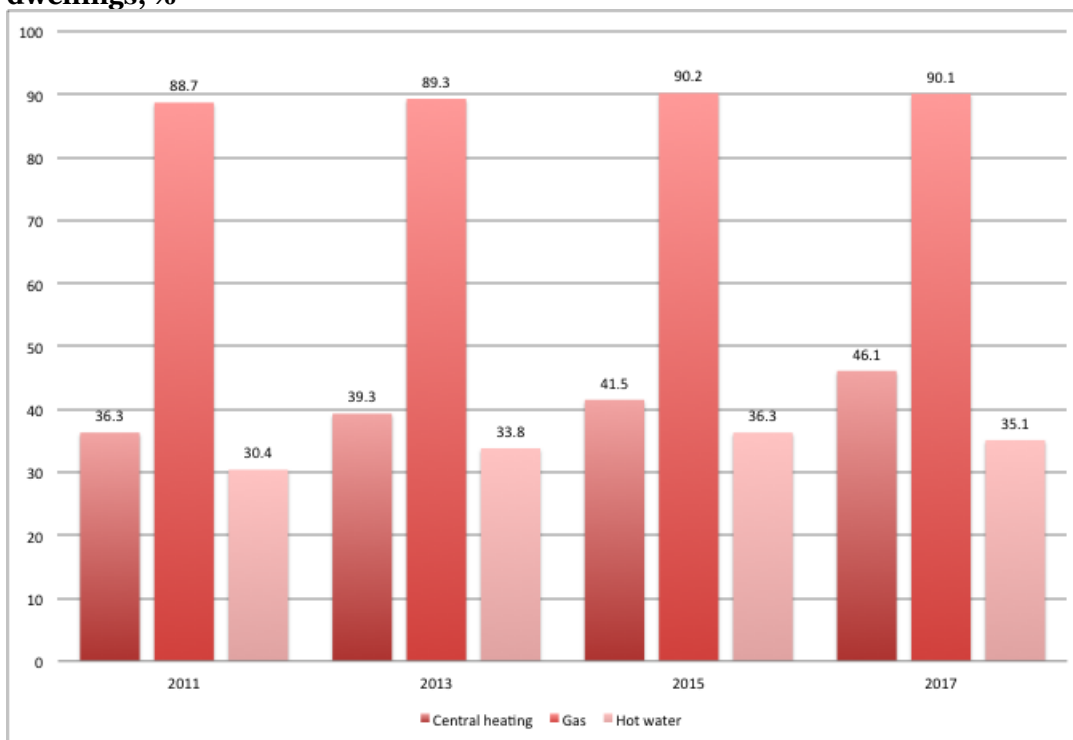


Source: Eurostat (online data codes: nrg_pc_202)

eurostat

The available statistics underline a differentiated access to energy-related services. In 2017, the degree of access to gas reached 90% across the country, while half of this share is registered for the centralized heating and the hot water supply (See Figure 6).

Figure 6. Access to central heating, gas and hot water in the total national stock of dwellings, %

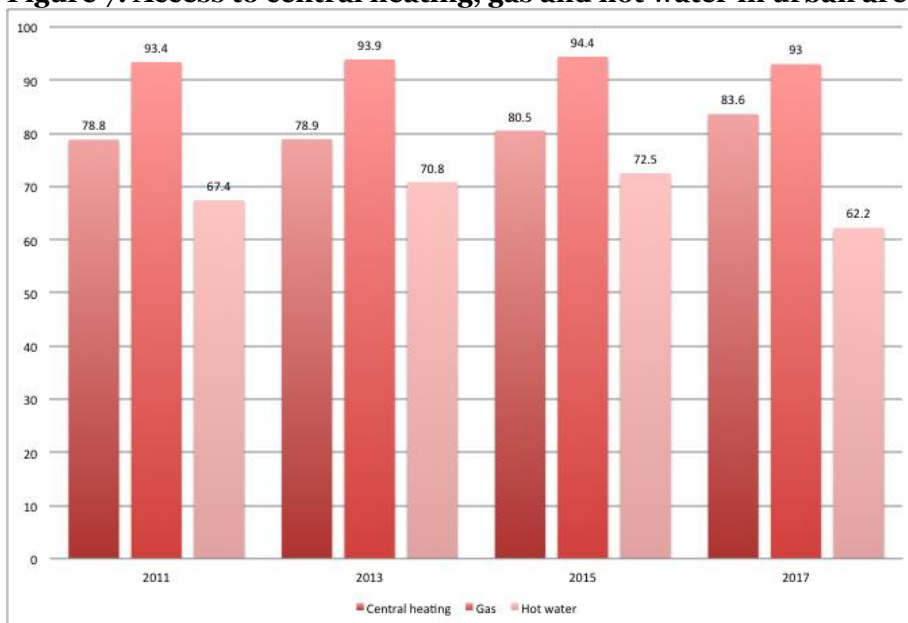


Source: National Bureau of Statistics

A considerable disparity between the degrees of access to the some of these services is visible between urban and rural areas.¹⁴ Contrary to the even supply of natural gas, the availability of heating and hot water sharply abrupt in the dwellings from the rural part of the country (*See the Figures 7 and 8*).

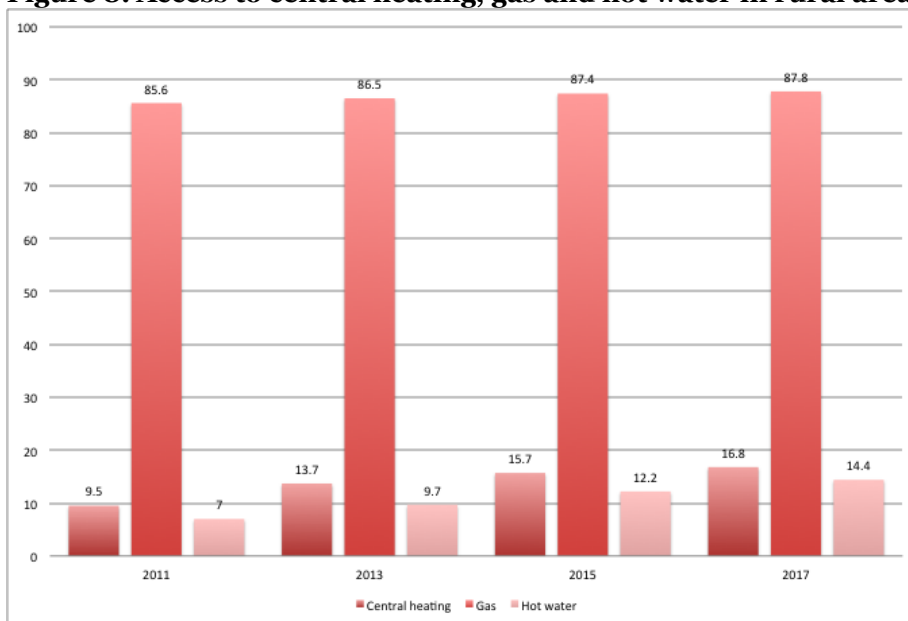
¹⁴ According to the Population and Housing Census, carried out in 2014, Moldova's population of above 15 years old constitutes 2,1 million people - 752,000 people in the urban area and 1,374,287 people in the rural part. The total population accounts for 2,9 million people.

Figure 7. Access to central heating, gas and hot water in urban areas, %



Source: National Bureau of Statistics

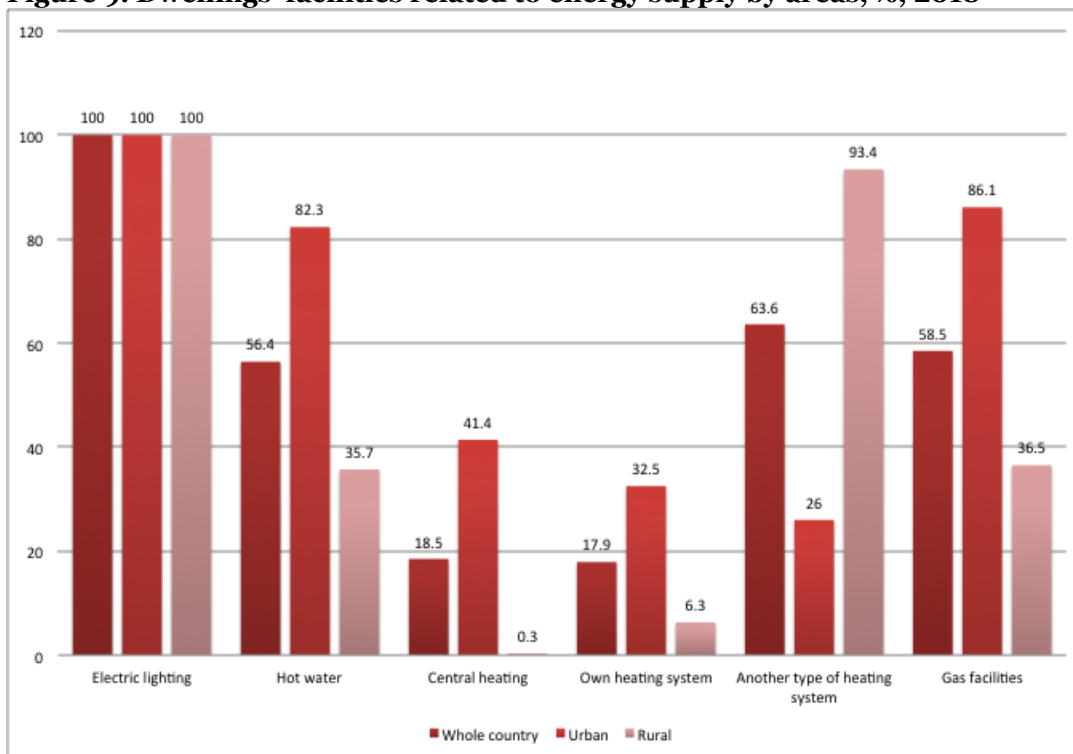
Figure 8. Access to central heating, gas and hot water in rural areas, %



Source: National Bureau of Statistics

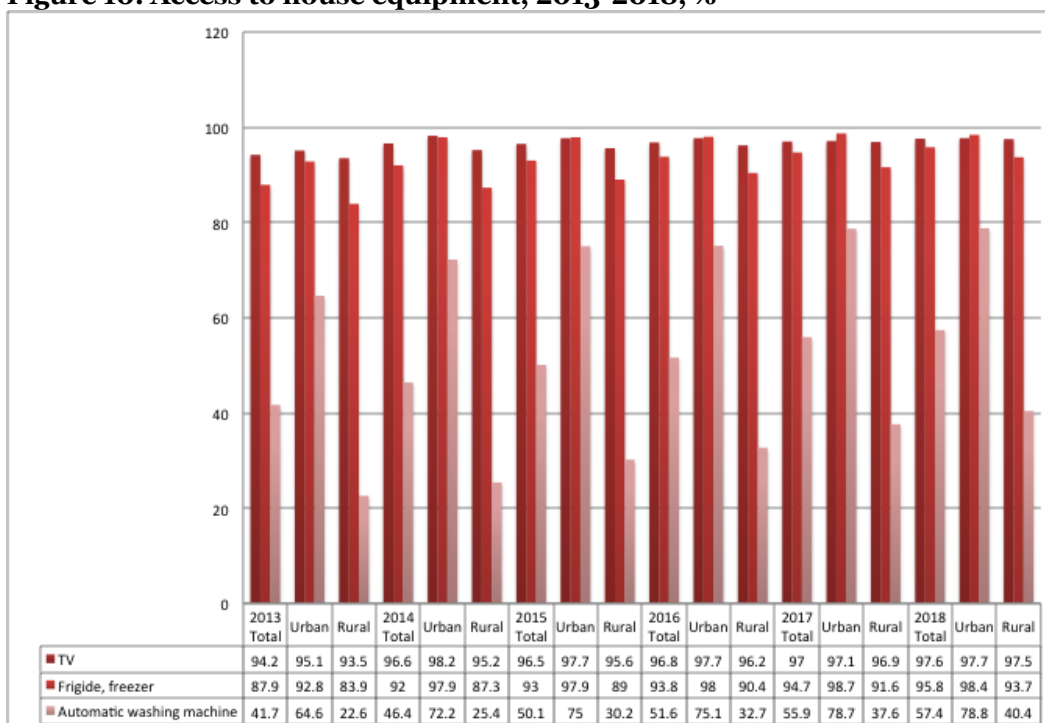
The energy poverty can be also viewed through the access the equipment necessary to cook or heat. In this regard, the least equipped population is located in the rural areas. That emphasizes the previously described discrepancy between the villages and cities in terms of not only services but also category of equipment that improve the living conditions (See Figures 9 and 10).

Figure 9. Dwellings' facilities related to energy supply by areas, %, 2018



Source: [National Bureau of Statistics](#)

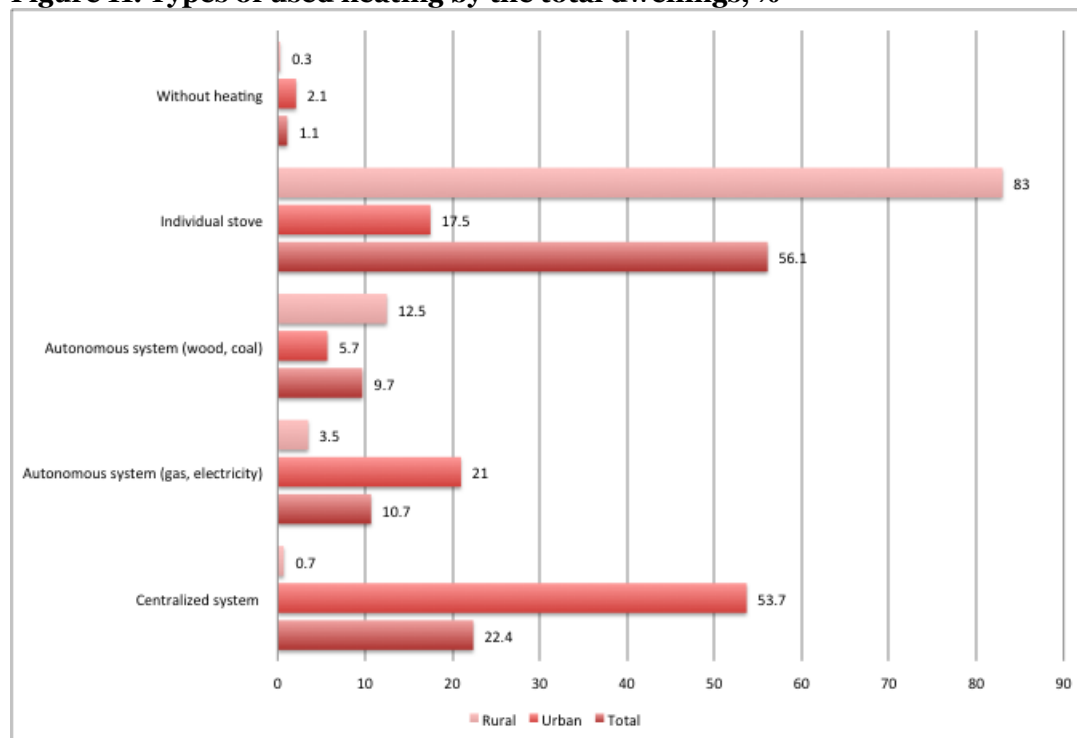
Figure 10. Access to house equipment, 2013-2018, %



Source: *National Bureau of Statistics*

By types of heating systems used by the households, individual stoves is the dominant one – 56% out of the total, followed by the centralized system (See the Figure 11).

Figure 11. Types of used heating by the total dwellings, %

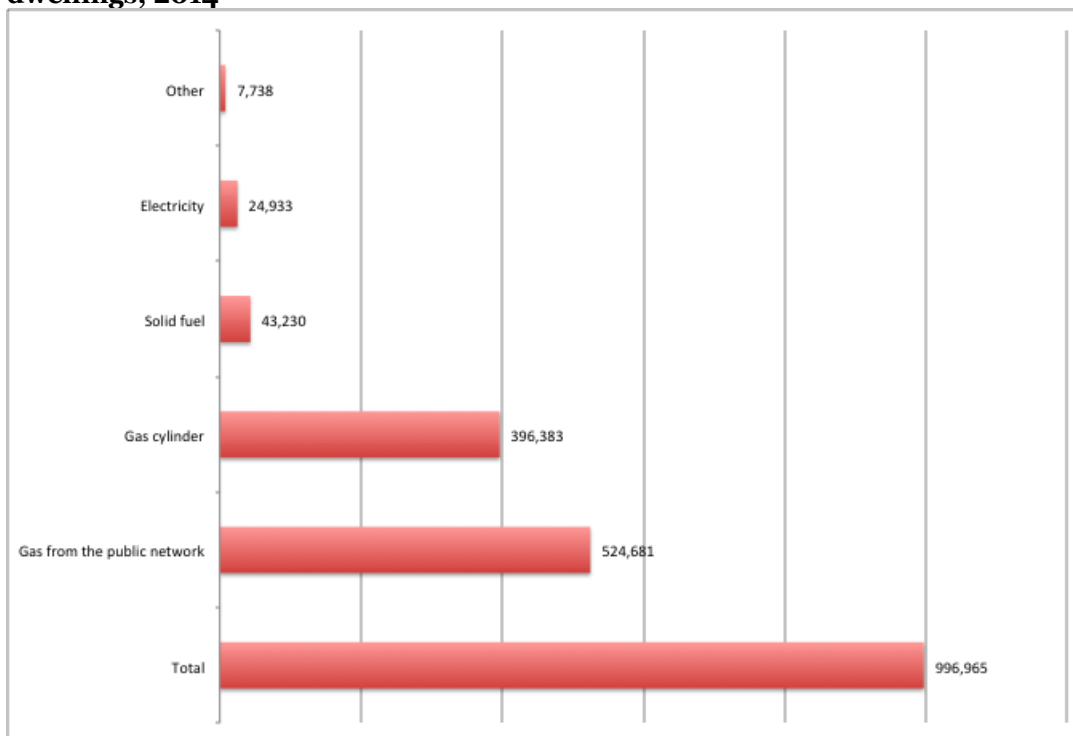


Source: National Bureau of Statistics¹⁵

The vulnerability of the population is reflected in the fuel used to cook. A big majority relies on supplies of gas through networks of distribution. However, 39.7% of households depend on cylinder gas, and smaller shares use solid fuel and electricity. Both the gas cylinder and the solid fuel are volatile fuels and thus put in disadvantage the consumers (See Figure 12). At the same time, the rural population has a more diverse access to a large variety of sources from which is produced the energy, which also include the waste from the agricultural activity. In comparison with that, the urban population relies mainly on heat, coal, electricity and gas (See Table 1).

¹⁵ National Bureau of Statistics, Energy Consumption in Households, Results of the Survey on Energy Consumption, 2016, http://statistica.gov.md/public/files/publicatii_electronice/Consum_energie_gospoda/Consum_energie.pdf

Figure 12. Type of fuel used for cooking in the stock of dwellings, numbers of dwellings, 2014



Source: [Population and Housing Census 2014](#)

Table 1. Average energy consumption in households that consumed energy source

	Total	Urban	Rural
Coal, kg	259,1	318	238,5
Natural gas, m3	566,9	534,5	649,5
Liquefied gas, liters	121,3	143,2	118,4
Diesel fuel, liters	5,6	0	5,7
Briquettes and pellets, kg	714,8	0	675,1
Firewood, m3	3,5	3,3	3,6
Wood waste, m3	2,6	0	2,6
Animal waste, m3	2,5	0	2,5
Agriculture waste, m3	2,3	0	2,3
Electricity, kWh	1495,2	1804,7	1280,2
Heat, Gcal	5,3	5,3	0

Source: National Bureau of Statistics¹⁶

¹⁶ National Bureau of Statistics, Energy Consumption in Households, Results of the Survey on Energy Consumption, 2016, http://statistica.gov.md/public/files/publicatii_electronice/Consum_energie_gospoda/Consum_energie.pdf

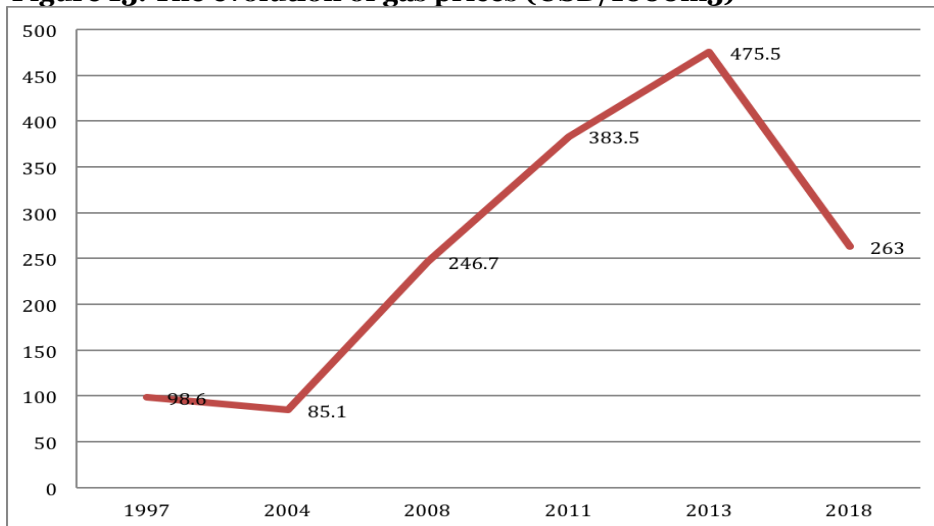
Chapter 3. Tariff policy as a driver for ‘energy poverty’

High dependency on energy imports contributes to higher poverty related to acquisition of energy-related services. The politicization of the energy exports from Russia to Moldova, as well as the frequent devaluation of the national currency, maintains high the pressure on energy consumers. This has affected the tariff policy for final consumers, and obviously disadvantaged the social categories with weak purchasing power.

Starting from 2004-2005, the growth of prices and subsequently tariffs for energy impacted immediately the most vulnerable consumers. Consequently, the energy poverty started to deepen, in particular in the cold period of the year, when the consumers from the biggest urban areas (Chisinau, Balti) have to pay both for gas and electricity and the heating¹⁷.

The prices for the gas showed the most nonlinear evolution (*See Figure 13*), and increased by almost 5 times in 2013 (475.5 USD/1000 m³) in comparison with 2004 (85.1 USD/1000 m³). Such instability in gas prices support affected the poorest categories of the society, taking into account that the salaries remained almost unchanged.

Figure 13. The evolution of gas prices (USD/1000m³)

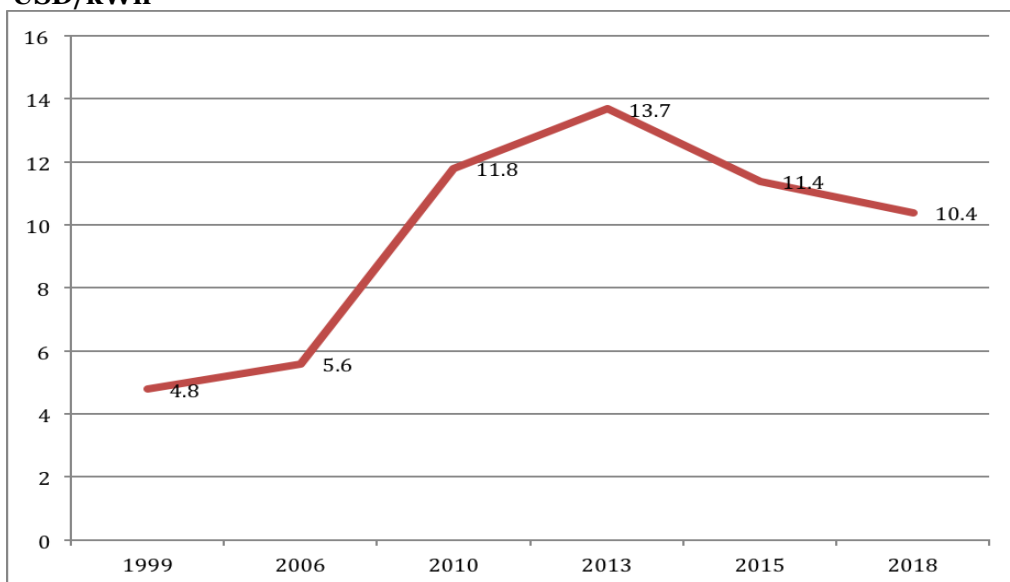


Source: National Energy Regulatory Agency (ANRE)

¹⁷ According to ANRE's activity report for 2018, the price for the heating service reached up to 80 EUR/Gcal in 2018, <http://anre.md/files/raport/Raport%20annual%20de%20activitate%20%20%20ANRE%202018.pdf>

A less dramatic growth has been registered for prices on electricity. Though they increased more than half since 2005 (*See Figure 14*), the electricity is more affordable and largely spread as source of energy than the gas used for heating production.

Figure 14. The variation of price for electricity, average price for final consumer, Cent USD/kWh



Source: National Energy Regulatory Agency (ANRE)

To complement the picture about the incidence and the evolution of energy poverty two types of indirect statistical data are suggested. That includes the shares of energy consumption per sectors of the economy, and the shares of expenses channeled by the households to cover some of the energy costs.

Primarily, the consumption of energy per sectors show that the residential sector consumes the most (*See Figure 15*). Though this sector is not involved in any formal economic production, which requires energy, the residential sector is poorly managing the energy consumption. Transport is the second most energy intensive, followed by services, while industry and agriculture lag behind. The energy intensity of the residential sector has correlations with the energy poverty in several ways. On the one hand, more energy uses the households higher are the expenses and respectively the costs for the population. On the other, being the most energy thirsty sector, the residential complex is also the least energy efficient.

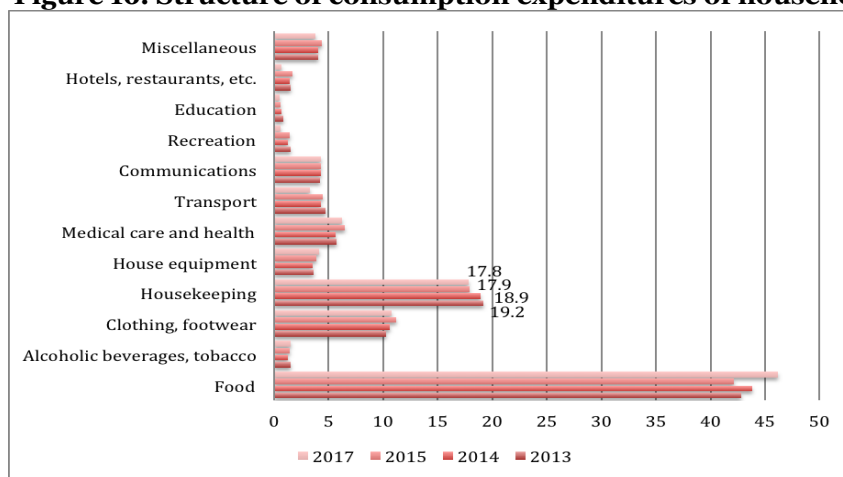
Figure 15. Energy balance, thousands of tones of oil equivalent



Source: National Bureau of Statistics

A deeper look at the budget of the households reveals that costs for the energy services retain a significant part of the incomes per family. After the expenditures for food purchasing, the individuals are spending about 17% of their incomes for costs related to housekeeping (See Figure 16).

Figure 16. Structure of consumption expenditures of households, by area, %



Source: National Bureau of Statistics

Notably, the share of expenses for the housekeeping corresponding to January-April period (first quarter) is less costly than much warmer period of May to August (2nd quarter). Partially, this can be explained with the fact that many families use to accumulate energy related debts in cold weather and pay them during the summer (See the Table below).

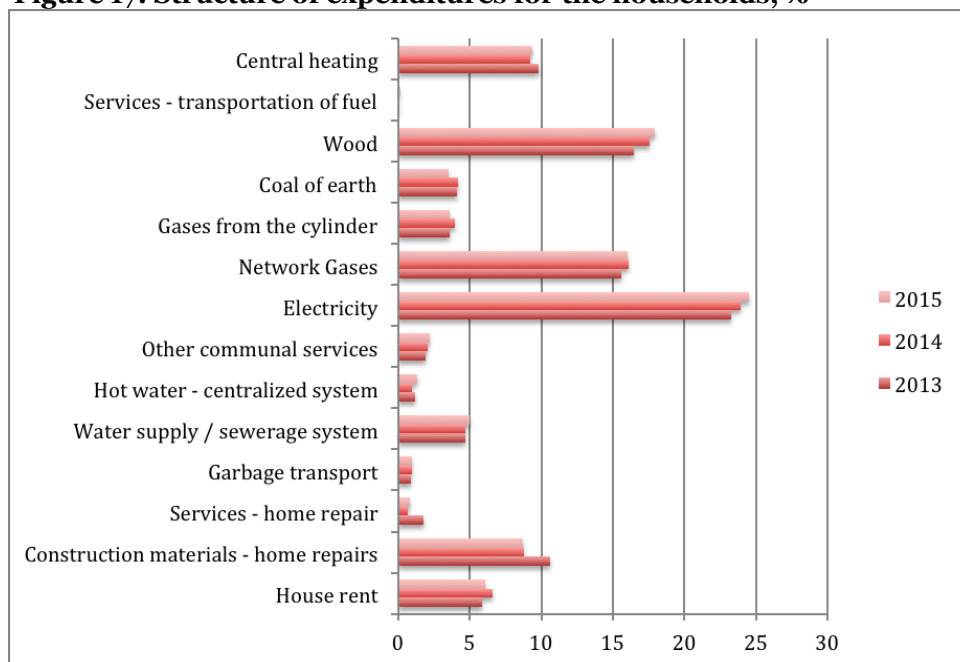
Table 2. Share of housekeeping costs out of total monthly expenses per person, %, thousands MDL

	1st Quarter		2nd Quarter	
	<i>Total, expenses (MDL, thousands, per person)</i>	<i>Household maintenance, %</i>	<i>Total, expenses (MDL, thousands, per person)</i>	<i>Household maintenance, %</i>
2010	1325.4	15.6	1340.2	18.5
2011	1427.4	16.9	1523	18
2012	1510.9	18.3	1582.9	18.5
2013	1656.1	18.3	1762	19
2014	1733.7	18.6	1807.9	18.3
2015	1913.3	17.1	2075.9	17.9
2016	2058.1	17.5	2079.7	18.5
2017	2091.3	18.7	2246.8	18.4
2018	2332.4	17.8	2387.6	18.1

Source: [National Bureau of Statistics](#)

The correlation of data from Figures 1 and 2 (See above), showing the price for electricity and natural gas, and the proportion of expenditures for housekeeping, illustrate the incidence that energy poverty can have on average in the Moldovan most vulnerable groups. More exactly, the 17% spend for the housekeeping include a variety of services, with highest proportion of the expenditures going not only for electricity and gas, but also for supply of wood, more common for the rural areas (See Figure 17)

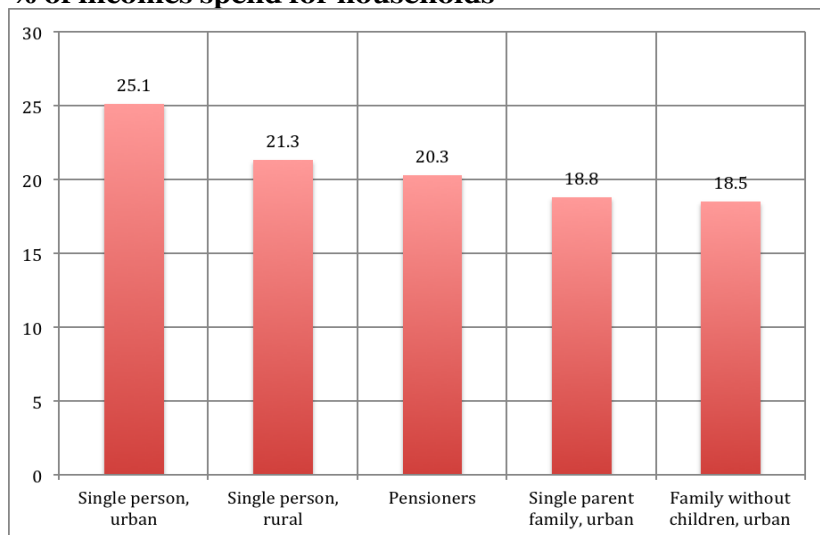
Figure 17. Structure of expenditures for the households, %



Source: [National Bureau of Statistics](#)

According to the data from 2015, the most prone to energy poverty are the single persons from rural and urban area, pensioners and single parent families (See Figure 18).

Figure 18. Most vulnerable to energy poverty groups, 2015, % of incomes spend for households



Source: National Bureau of Statistics

Chapter 4. Existing policy and schemes to protect vulnerable consumers

The actual mechanism of social aid designed to cope with some energy related costs, developed until so far, is envisioned in the Social Aid Law. The law provides specific criteria of eligibility for the disadvantaged families that are entitled to state aid during 5 months when the heating equipment is necessary most – from November to March. The families that can benefit from state aid include six conditions under which should fall the persons in order to be eligible: (i) pensioner; (ii) persons with disabilities; (iii) registered unemployed; (iv) pregnant or recently given birth women; (v) caretaker of a family member that needs a third party assistance; (vi) person with incomes from specific agriculture activities (Art. 5). Other two elements that are crucial to determine the compliance are the incomes of family members, as well as the proxy helping to verify the paying potential, such as home equipment.

The amount of the social payment is calculated by comparing the overall global income of the family and the monthly guaranteed income per each member of the family. Only after the degree of the family wealth is established, the payment can take place. The family member of above 18 years old can submit a request for aid to the social assistance structures within the local authorities. The status of the beneficiary of such aid lasts for no longer than 2 years, while the Government regulates the exact size of the aid (Art. 15,1). More detailed provisions about the aid

for low temperature period is provided by the Regulation on modality of establishing and paying the social assistance, adopted in 2008.¹⁸ According to this act, the amount set to be paid until 2019 was 350 MDL per month.¹⁹ In October-November 2019, the government announced the increasing of this amount to up to 500 MDL²⁰, including the number of beneficiaries to up to 300.000 of families with lower incomes.²¹

Obtaining the right to social aid for “the cold months” requires either to submit the request individually by filling in the special form or to request the assistance of the social protection unit at the local public administration. The right to social payment for the “cold months” is determined together with the right to social aid. To check the eligibility, the solicitants may present the copies of several acts out of total 11 documents, including the identification document. Incorrectly fulfilled requests can be rejected, however, the solicitor is entitled to contest such decisions in the court. The assessment of the requests is conducted through the “Social Assistance” Automated Information System, run by the Ministry of Health, Labor and Social Protection, and which allows to corroborate the data and identify the inconsistencies. This electronic platform is used by the social workers to establish the eligibility status. As a result of the evaluation the family needs at least 85,64 points to fulfill the criteria. The final beneficiary is the whole family not only the individual solicitor. The results of the evaluation should be issued 15 days after the submission. The heads of social assistance units authorize the social assistance payments every month, which can take place retroactively. The National House of Social Insurance performs the payments, according to the annual financing programs and based on transfers from the Ministry of Finance. There is no public available system of reporting concerning the efficiency of this mechanism of assistance assessing the impact of the allocated public funds.

Another functional mechanism, available in the capital’s municipality (Chisinau), constitutes the regulation of compensation for household and energy services, expanded until June 2020 in November 2019²². About 30.000 families benefit from the compensation scheme since the wintertime begins. That foresees financial assistance of 40% of the costs for the energy bill. The payments from the Chisinau City Hall are transferred directly to the bank account of the heating energy provider “Termoelectrica”, avoiding any risks of use of money contrary to the destination.²³

¹⁸ Regulation on modality of establishment and paying the social assistance of 16.10.2008, <http://lex.justice.md/md/329399/>

¹⁹ According to current exchange rate (20.10.2019), 350 MDL accounts for approx. 18 EUR.

²⁰ Government, Press-release of 17.10.2019, <https://gov.md/ro/content/crestere-salariale-pentru-bugetari-ajutoare-mai-mari-pentru-oamenii-cu-venituri-mici-si>

²¹ Presidency, 18.11.2019, <http://presedinte.md/rom/presa/seful-statului-a-anuntat-despre-lansarea-unor-masuri-de-protectie-sociala>

²² Chisinau City Hall, 20.11.2019, <https://www.chisinau.md/libview.php?l=ro&idc=403&id=27801&t=/Presa/Comunicate-de-presa/Compensarea-cheltuielilor-familiiilor-defavorizate-la-efectuarea-platilor-pentru-serviciile-comunale-i-resursele-energetice-in-sezonul-rece-2019-2020>

²³ Finding from the Workshop on “energy poverty”, organized in Chisinau, on November 22nd 2019.

However, offering the compensations cannot offset the problems with the quality of energy service (heat) in the residential sector. The existing legislation²⁴ imposes a dependence of the heat supplier company upon the administrator of a particular housing stock. Consequently, the investments in renovation are blocked leading to moral and technical outdated of the distribution networks.

Chapter 5. Internalization of external inputs

Under the 2030 Development Strategy of Moldova, inspired from the UN Sustainable Development Goals, the national authorities shall draft national programs dedicated to reach the targets. According to “accessible and clean energy” goal²⁵, representing one of the 17 development goals, the population has to be ensured with equitable access to energy sources. In addition, the use of energy from renewals should expand. Nevertheless, the already undertaken measures put the emphasis on mitigating the impact of energy inequality. So the payment capacity of the consumers attract more the attention than improving the physical parameters of living conditions that can ultimately enhance the accessibility of energy services. Some complementary policies, to the functioning mechanism of financial support during the “cold months”, are emerging. In October-November 2019, the central authorities announced measures of support to 300.000 families consisting of 500 MDL per family paid during the cold period of the year.²⁶

Apart from the obligation to implement the UN development goals, the authorities have a strong commitment to fulfill the conditions in energy field in return for EU’s financial assistance. According to the macro-financial assistance agreement of 2017²⁷, the conditionality for the third tranche accounting for 40 million EUR requires from the Moldovan authorities to “strengthen and improve”²⁸ the social assistance program, in particular the program that offers aid for heating needs. Moreover, the criteria of eligibility have to be revised, so that more vulnerable social categories could benefit from state support.

Clearly, the external inputs help to upgrade the social policies that support disadvantaged groups in coping with prices for basis energy services (electricity, heating). These efforts aim at integrating the essence of “energy poverty”, though they deal exclusively with the financial and not technical capacitation of the consumers.

²⁴ Law on thermal energy and promoting cogeneration of 29.05.2014, <http://lex.justice.md/viewdoc.php?action=view&view=doc&id=353698&lang=1>

²⁵ The Goals of Sustainable Developments, <http://statistica.gov.md/pageview.php?l=ro&idc=601&id=6316>

²⁶ Presidency.md, 2019, <http://presedinte.md/rom/presa/seful-statului-a-anuntat-despre-lansarea-unor-masuri-de-protectie-sociala>

²⁷ EU-Moldova Memorandum of Understanding on macro-financial assistance, 2017, <http://lex.justice.md/index.php?action=view&view=doc&lang=1&id=373730>

²⁸ Ibid.

Conclusions and recommendations:

The existing mechanisms of social protection foresee assistance for the disadvantaged families that face difficulties in paying the bills for energy services. This policy is limited in time to only 5 months, when actually the costs for the heating make the payment unaffordable for various social categories. Statistics underline that the energy poverty can affect the pensioners, single parent family and single person family both in urban and rural areas. Under the impact of external commitments and conditionality, the authorities are encouraged to diversify and improve their assistance policy for persons vulnerable to energy inequality.

Even if the legislation and the functioning policies embed the elements of the “energy poverty”, there is a fragmentation between the energy-related acts and those that govern the social assistance. Thus, the Electricity, Natural Gas and Energy laws operate with the notion of “vulnerable consumer”, which is legally speaking detached from the “disadvantaged families” as provided by the Social Assistance Law. Although this incongruity is not circumventing the coordination of the social support for poor social groups, it shows that the different sectoral legislation is not fully harmonized. The only legislation that stipulates clearly specific provisions on addressing the “energy poverty”, with preventive measures, is the Energy Efficiency Law.

It is worth to mention, that the Social Assistance Law inserts a rather centralized approach of support for vulnerable population. That results from the “Social Assistance” Automated Information System, used by the Ministry of Health, Labor and Social Protection to determine the right for benefiting of social assistance for the “cold months”, involving the territorial social assistance units. The Energy Law that envisages that the local public administrations have to find sources to compensate the payment of energy bills provides a more local approach. This aspect confirms as well the persistence of some incoherencies in the legislations that administer the energy inequality.

The policy paper argues that a more systemic approach about preventing and addressing the negative effects of unequal access to energy services requires a comprehensive and pro-active vision and policy tools. To address the shortcomings explored in the paper the following recommendations are formulated:

1. Legal harmonization. More uniformity across the social assistance (Social Assistance Law and the Regulation) and energy-related legislation (Energy, Electricity and Natural Gas laws, and Energy Efficiency Law) can energize the policy tools used to support the “vulnerable consumers” by the central and local levels. The sectoral conditions under EU’s macro-financial assistance contain political incentive to push for the unification of the legal and policy frameworks concerning “energy-related social subventions” for the disadvantaged groups.

2. Development of preventing measures. Adopt measures related to energy efficiency and improving of the living conditions (heating, electricity) that may significantly prevent the energy poverty and complement the social assistance offered to overcome the high costs for utilities. More efforts require the rural areas because in objective terms the dwellings outside cities have less access to the energy-related services.

3. More socially oriented tariff policy. New forms of cooperation should be explored between Ministry of Health, Labor and Social Protection and the National Energy Regulatory Agency in order to take better into account the vulnerability of the consumers when the tariffs on energy are updated. This measure will also diminish the political pressure on the energy regulatory and eventually prevent worsening price conditions for the vulnerable social groups.

4. Setting-up a specialized “Energy Poverty Public Fund”. A concept for the creation of a special public fund dedicated to social categories, which are in precarious energy conditions. Such a “fund” could back both a policy understating of the phenomenon and indicate the sources of money earmarked to mitigate and prevent the effects of “energy poverty”. The sources for an eventual fund will form the payments currently paid as social assistance for the “cold period”. The discussion of introducing VAT for energy services (similar to gas consummation further to electricity and gas), if materialized, could generate incomes for the proposed “fund”, redistributing the available financial resources to the most in need.

5. Paying directly to energy suppliers. The good practice of transferring the energy-related social payment by Chisinau City Hall directly to the account of the suppliers could be replicated with electricity and other energy sources at across the country. The Ministry of Health, Labor and Social Protection could introduce a mechanism for direct payments to the local suppliers; so that the money is spend according to the destination.

6. First generation of statistics on energy poverty. To develop feasible and targeted programs on fighting the energy poverty, the authorities have to develop and integrate the data relevant for evaluating and monitoring the evaluation of the “energy poverty”. This set of data should incorporate the following aspects: (i) complete data about the access to various energy sources and energy equipment for heating and cooking; (ii) energy efficiency in the buildings, both in the urban and rural areas; (iii) costs for the energy services, disaggregated according to types of energy-related services, as share of the total income per household; (iv) share of population benefiting from social assistance for the “cold weather” and the electricity payment (recently proposed by the central authorities), divided according to the centrally and locally distributed “subsidies”.