

Issues related to energy resource tariff compensation programs and their impact on the CPI in the post-pandemic period

Post-pandemic demand has exerted pronounced pressure on energy resource prices on a global scale. At the regional and local level, these were augmented by the military conflict between Russia and Ukraine, as well as by the conflict in the Middle East. As a result, oil prices increased significantly, followed by prices of its derivatives, as well as by natural gas prices. In addition to this fact, for the Republic of Moldova, additional pressures related to energy resource prices were initially determined by the modification of the contract with the gas supplier in 2021, and subsequently, against the background of the conflict in the region, by the change of the natural gas and electricity supplier.

These events had a significant impact on domestic inflation, posing significant risks to price stability in the medium term. These risks were addressed by monetary policy measures in 2021-2022, which limited the intensity of the second-round effects from the tariff adjustment and thus ensured that inflation returned to the target range in 2023. Additionally, the direct effect of rising energy prices on inflation in recent years has been mitigated by price compensation programs offered by the Government, which has reduced inflation volatility and the burden of tariff adjustments on the population during the cold season.

1. Compensations for the cold season of 2021-2022

Tariff adjustment for November 2021 and January 2022. Modification of the contract with the supplier and the increase in import prices for natural gas determined ANRE, on November 9, 2021, to adjust the natural gas tariff for household consumers from MDL 4.64/cubic meter to MDL 11.08/cubic meter (including VAT), (in force from November 1, 2021^a) or by 138.8%. At the same time, on November 20, 2021, ANRE approved the provisional prices for electricity produced and the tariffs for thermal energy delivered to consumers, which entered into force on November 1, 2021^b. Thus, the heat tariff for consumers connected to the centralized system managed by S.A. "Termoelectrica" increased from MDL 1,122/Gcal to MDL 1,772/Gcal or by 57.9%. Later, on January 28, 2022^c, the mains gas tariff was increased, in force from January 1, 2022. As a result, for household consumers the price of a cubic meter of gas was set at MDL 15.18 (including VAT). Also, on January 28, 2022, the tariff for centralized heating was revised to the amount of MDL 2,169/Gcal (excluding VAT)^c, in force from January 1, 2022.

Compensation mechanism. The Government decided to compensate for the difference in gas consumption tariffs, during the period from November 2021 to March 2022, for the first 50 cubic meters consumed – 67% of the difference between the price in the billing month and the one in October 2021, and for the next 100 cubic meters consumed – 50% of the respective difference^d. Regarding thermal energy compensation, for the first gigacalory consumed the Government compensated 67% of the difference between the price in the billing month and the one in October 2021.

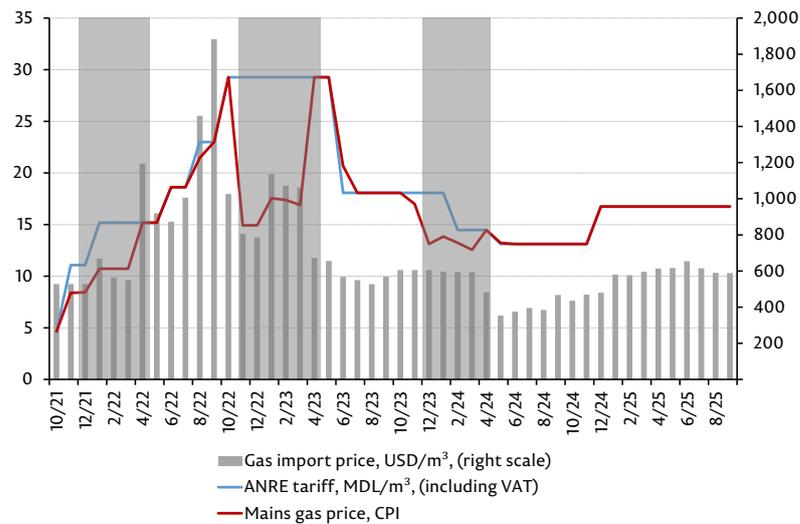
^aNATIONAL AGENCY FOR ENERGY REGULATION OF THE REPUBLIC OF MOLDOVA. *ANRE approved the provisional regulated prices for the supply of natural gas by S.A. "Moldovagaz"*. Chişinău, November 09, 2021. Available: <https://www.anre.md/anre-a-aprobat-preturile-provizorii-reglementate-pentru-furnizarea-gazelor-naturale-de-catre-sa-moldovagaz-3-346>

^bNATIONAL AGENCY FOR ENERGY REGULATION OF THE REPUBLIC OF MOLDOVA. *ANRE adjusted the provisional prices for produced electricity and the tariffs for thermal energy delivered to consumers*. Chişinău, November 20, 2021. Available: <https://www.anre.md/anre-a-ajustat-preturile-provizorii-la-energia-electrica-produsa-si-tarifele-pentru-energia-termica-livrata-consumatorilor-3-355>

^cNATIONAL AGENCY FOR ENERGY REGULATION OF THE REPUBLIC OF MOLDOVA. *Projects subject to approval*. Chişinău. Available: <https://www.anre.md/proiecte-supuse-aprobarii-3-28>

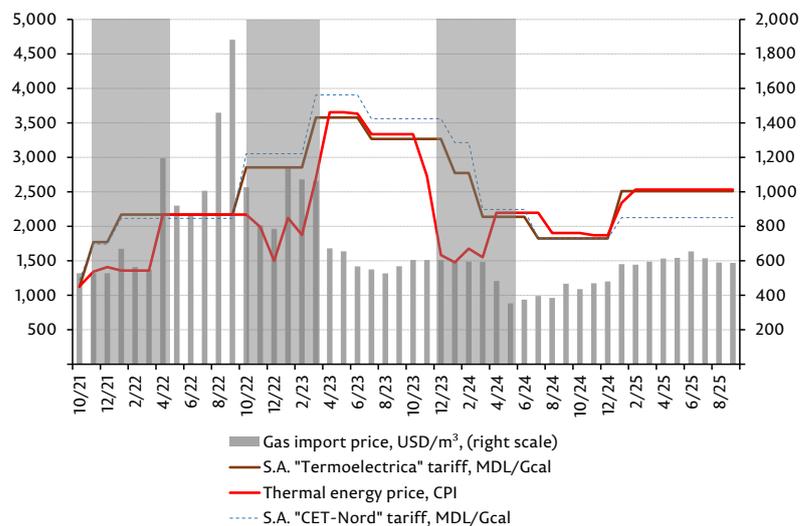
^dI.P. "TELERADIO-MOLDOVA". *The Government will provide compensation for gas and thermal energy consumption during the current cold season*. Chişinău, November 17, 2021. Available: <https://trm.md/ro/social/guvernul-va-compensa-diferenta-de-tarife-pentru-gazele-naturale-si-energia-termica-in-perioada-rece-a-anului>

Chart 1: ANRE tariff vs average tariff paid by the population for natural gas



Source: NBS, ANRE, NBM calculations

Chart 2: ANRE tariff (S.A. "Termoelectrica", S.A. "CET-Nord") vs average tariff paid by the population for thermal energy

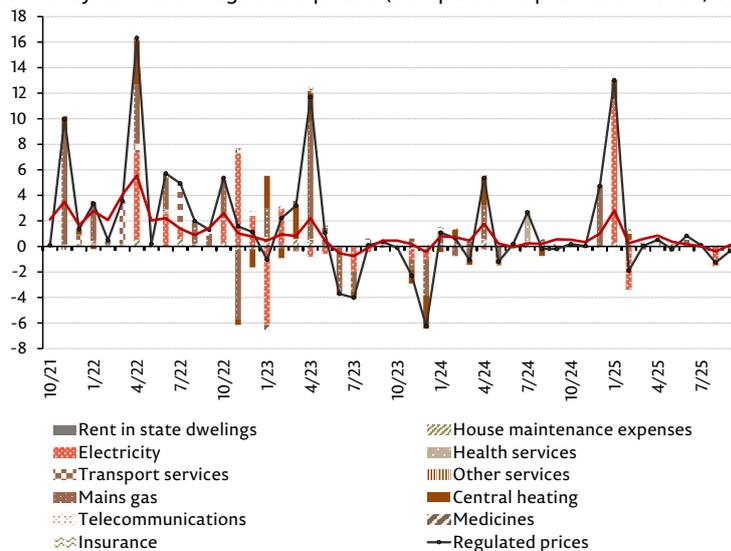


Source: NBS, ANRE, NBM calculations

Effects of tariff compensation on the CPI. As a result, prices for mains gas (Chart 1), as well as for thermal energy (Chart 2) recorded a smaller increase than that corresponding to the ANRE tariff, and regulated prices within the CPI in November 2021 increased by 10.0% (Chart 3), a value that would have been significantly higher in the absence of compensation. The tariff adjustment was partially reflected by the NBS in the CPI. After the end of the compensation period for the new tariffs for gas, central heating and thermal energy, the NBS reflected the remaining impact generated by the tariff adjustment on the corresponding subcomponents of the CPI. Therefore, the impact was temporarily mitigated and was fully reflected at the end of the heating season. In this regard, the increase in regulated prices in April 2022 (16.3%) largely reflected the tariff adjustments made previously (November 2021, January 2022), being associated with the end of the compensation period for new tariffs for gas, central heating and thermal energy^e at the end of the 2021-2022 cold season on April 1, which had a pronounced impact on the CPI dynamics in April 2022 (Chart 3).

^eNATIONAL AGENCY FOR ENERGY REGULATION OF THE REPUBLIC OF MOLDOVA. ANRE adjusted the regulated prices for natural gas, thermal energy and electricity produced by thermal power plants. Chişinău, January 28, 2022. Available: <https://www.anre.md/anre-a-ajustat-preturile-reglementate-la-gazele-naturale-energia-termica-si-energia-electrica-produsa-de-centralele-electrice-de-termoficare-3-394>

Chart 3: Contribution of subcomponents (percentage points) to the dynamics of regulated prices (compared to previous month, %)



Source: NBS, NBM calculations

2. Compensations for the cold season of 2022-2023

Tariff adjustment during 2022. In 2022, the gas import price continued its upward trend. ANRE has increased the natural gas tariff for household consumers in several stages. After the increase at the beginning of the year, in June the tariff was increased to MDL 18.62/cubic meter, and in August to MDL 22.99/cubic meter (including VAT). Starting from October 2022, it reached a maximum level of MDL 29.27/cubic meter.

The tariff for the heating agent, delivered to consumers by S.A. "Termoelectrica" in October 2022 was set at MDL 2,854/Gcal, compared to the previous tariff of MDL 2,169/Gcal (established at the beginning of the year), and the one delivered to consumers by S.A. "CET-Nord" at MDL 3,052/Gcal, compared to the previous tariff of MDL 2,115/Gcal^f, with effect from October 1, 2022.

Compensation mechanism. Given the substantial increase in tariffs during 2022, the state program on compensation for energy resources for the population "Ajutor la contor" was developed to mitigate their impact on population expenses during the cold period of the year. According to this program, based on the population's applications, income and expenses, several degrees of vulnerability were established. Each category was assigned a gas, thermal energy and electricity energy tariff lower than that established by ANRE for the period November 2022 – March 2023, according to table 1.

Effects of tariff compensation at the end of the heating season. The average tariff calculated within the CPI for gas and thermal energy was significantly lower than that established by ANRE during the period November 2022 – March 2023 (Charts 1 and 2). Thus, although the increase in regulated prices in October and November 2022 was significant under the impact of the tariff increase and the start of the heating season, it was partially mitigated by the compensation program.

As a result, after the pronounced increase (in the context of the above-mentioned tariff increases) of regulated prices in October 2022 (5.4%), they outlined a more moderate dynamics in November 2022 (1.6%), as well as in the following months (until March 2023), with the effects of the compensation program on the tariffs actually paid by household consumers. In April 2023, at the end of the compensation program, household consumers returned to the tariffs set by ANRE, which caused a pronounced increase in regulated prices (11.7%) and CPI (2.2%) in the respective period.

^fNATIONAL BANK OF MOLDOVA. Annual report 2022. Chişinău, May 31, 2023. Available: https://bnm.md/files/Raport_anual_2022%20ISBN-.pdf

Table 1: Energy vulnerability categories, 2022-2023

	Natural gas tariff, MDL/m ³	Thermal energy tariff, MDL/Gcal	Electricity energy, MDL/kWh
Very high	12	1,450	3.3
High	14	1,700	3.7
Average	17	1,950	Regulated price
Low	24	2,500	Regulated price
No vulnerability	Regulated price/ supplier price (MDL 29.27/m ³)	Regulated tariff (MDL 3,082/Gcal – S.A. "Termoelectrica")	Regulated price

Source: Ministry of Labor and Social Protection^h

Table 2: Energy vulnerability categories, 2023-2024

	Natural gas tariff, MDL/m ³	Thermal energy tariff, MDL/Gcal	Electricity energy, MDL/kWh
Extreme	12	1,450	1.54
Very high	12.2	1,475	1.74
High	12.4	1,500	1.94
Average	12.6	1,525	2.14
Low	17	2,100	2.34
Primary	Regulated price/ supplier price (MDL 18.07/m ³)	2,900	2.54
No vulnerability	Regulated price/ supplier price (MDL 18.07/m ³)	Regulated tariff (MDL 3,267/Gcal – S.A. "Termoelectrica")	Regulated price (MDL 2.39/kWh – Î.C.S. "Premier Energy" S.R.L.)

Source: Ministry of Labor and Social Protection^h

3. Compensations for the cold season of 2023-2024

Tariff adjustment during 2023. The decrease in natural gas import prices in the spring of 2023 supported the decrease in the natural gas tariff from MDL 29.27/cubic meter to MDL 18.07/cubic meter for household consumers in June 2023. Subsequently, in February 2024, the natural gas tariff decreased to MDL 14.47/cubic meter. At the same time, the thermal energy tariff for household consumers delivered by S.A. "Termoelectrica" increased to MDL 3,577/Gcal in the spring of 2023. Further, it decreased to MDL 3,267/Gcal in July 2023, and at the end of 2023 the tariff for thermal energy was set at MDL 2,774/Gcal, MDL 493/Gcal less^g. In March 2024, it decreased to the value of MDL 2,138/Gcal.

Compensation mechanism. Under these conditions, the state program on compensation for energy resources for the population "Ajutor la contor" was adjusted in order to revise the tariffs granted for energy vulnerability categories, according to table 2.

The effects of compensation. The impact of the energy resource tariff compensation program on the CPI in the 2023-2024 cold season was less pronounced compared to the 2022-2023 season, due to a lower natural gas tariff and a much smaller difference between the natural gas energy vulnerability categories. At the same time, this effect was also determined by a much smaller number of consumers in the extreme, very high, medium vulnerability categories (where the compensated tariff differs significantly from the tariff established by ANRE), as well as by the close value between the tariff for the low vulnerability category and the supplier's tariff (table 2)^h. However, in November and December 2023, mainly due to the effect of compensations, regulated prices decreased. In addition to the tariff adjustments made by ANRE, the existence of ceilings for the compensated tariff has led to some price fluctuations in the months preceding the end of the heating season for mains gas and thermal energy depending on the outside temperature and consumption variation.

^gNATIONAL AGENCY FOR ENERGY REGULATION OF THE REPUBLIC OF MOLDOVA. ANRE approved the tariffs for thermal energy delivered to consumers. Chişinău, December 22, 2023. Available: <https://anre.md/anre-a-aprobat-tarifele-pentru-energia-termica-livrata-consumatorilor-3-796>

^hMINISTRY OF LABOR AND SOCIAL PROTECTION. The Government approved the maximum ceilings and compensated energy prices for the period November 2023 – March 2024. Chişinău, November 22, 2023. Available: <https://social.gov.md/wp-content/uploads/2023/12/Nota-informativa-privind-programul-de-compensatii-%E2%80%9EAjutor-la-contor-sezonul-2023-2024.pdf>

At the end of the 2023-2024 heating season, in April 2024, due to the end of the compensation period, regulated prices increased by 5.4% compared to the previous month, as a result of the increase in prices for network gas, central heating and hot water preparation.

4. Compensations for the electricity tariff in 2025

In January 2025, as a result of the interruption of gas transit through Ukraine and the change of electricity energy supplier, the electricity energy tariff increased significantly, which, together with the increase in the thermal energy tariff, supported the increase in prices for regulated goods and services by 13.0% compared to the level of the previous month. Thus, for consumers served by the Î.C.S. "Premier Energy" S.R.L. a tariff of bani 410/kWh was established, and for those served by S.A. "Furnizarea Energiei Electrice Nord" – bani 468/kWh.

Compensation for 2025. In the context of the comprehensive two-year strategy for energy independence and resilience of the Republic of Moldova, supported by the EU, the compensation package provides for the coverage of additional electricity costs for all households up to 110 kWh each month until December 31, 2025ⁱ. Thus, from February 2025, all household consumers benefit from electricity energy compensation, included directly in their bills. If until now the state has only granted compensation to eligible applicants, registered in the "Ajutor la contor" program, starting from February 2025, the tariff increase for the first 110 kWh of the bill was compensated for all consumers^j.

Impact of electricity energy compensation on the CPI. After the increase in January, in February 2025 the prices of regulated goods and services decreased by 1.9% compared to the previous month's level due to the decrease in electricity energy tariffs for the first 110 kWh/month consumed. Thus, in February 2025, electricity energy prices within the CPI decreased by about 15.4%, following the implementation of the EU aid package, which involved financial support to households across the country to mitigate the impact of the increase in electricity energy tariffs. Subsequently, electricity prices within the CPI have outlined a stable dynamics. From August 1, 2025, electricity energy tariffs have changed. In this regard, for Î.C.S. "Premier Energy" S.R.L. a tariff of bani 359/kWh was established, by bani 51/kWh or 12.5% less than the previous tariff, and for S.A. "FEE Nord" – bani 400/kWh, by bani 68/kWh or 14.6% less than the previous one. At the end of the compensation period, if the tariff set by ANRE remains at the current level, electricity energy prices within the CPI will increase.

The compensation programs offered by the Government of the Republic of Moldova during the cold period in recent years and the compensation of the electricity energy tariff of 2025 have allowed for a gradual impact on the increase in energy expenses for the population, a smaller impact on household budgets during the cold period of the year or, in some cases, even to the correction of prices for energy resources at the regional level, as well as, initially, lower inflation volatility and, thus, the anchoring of inflationary expectations. However, the way in which compensations are granted and how they are reflected by the NBS has caused additional uncertainties in the process of analyzing and forecasting inflation and, therefore, additional challenges for substantiating monetary policy decisions.

ⁱEUROPEAN COMMISSION. *EU and Moldova have agreed on a comprehensive energy strategy to decouple from Russian supply and integrate with EU market.* February 4, 2025. Available: <https://eu4moldova.eu/ue-si-moldova-convin-asupra-unei-strategii-energetice-cuprinzatoare-pentru-a-se-decupla-de-aprovizionarea-cu-energie-din-rusia-si-a-se-integra-pe-piata-ue/>

^jMINISTRY OF LABOR AND SOCIAL PROTECTION. *More support for households in the Republic of Moldova: The Government approved the mechanism for granting compensation in electricity bills.* Chişinău, February 26, 2025. Available: <https://social.gov.md/comunicare/mai-mult-sprijin-pentru-gospodariile-din-republica-moldova-guvernul-a-aprobat-mecanismul-de-acordare-a-compensatiilor-in-facturi-pentru-energia-electrica/>