

# Minutes of PSRA negotiations between EBRD and Government of Moldova (Emergency Gas Purchase Facility)

06 December 2019

Government of Moldova representatives:	EBRD representatives:	
Iuliana Dragalin Calin Negura Serghei Jomiru Elena Matveeva Adrian Pritula Silvia Stici Eugeniu Bot	Octavian Costas Iryna Tsahelnik David Kennedy	
Agreement Section	Government comments	EBRD comments
Signing date	16 December 2019	The current target signing day is 12 December 2019 and the Bank requested for this to remain. Later signing date is not accepted.
Section 1.02. Definitions "Agency Agreement"	Specify the maximum 180 days payment from Energocom to Naftogaz as part of the Agency Agreement.	Add the following language: and (iv) and a repayment date of up to 180 days, in form and substance satisfactory to the Bank.
Section 1.02. Definitions "Applicant's Authorised Representative"	Ministry of Finance	Definition updated as per the attached PSRA
Section 1.02. Definitions Debt currency conversion	Specify the debt currency conversion option in the Agreement	This was not part of the EBRD approval. The conversion could be made based on the request by the Government after the signing so that by the time of its disbursement the loan can be converted.
Section 1.02. Definitions "Facility Amount" means an amount of up to ninety million United States dollars (USD 90,000,000).	<p>a) According to the latest estimation made, the authorities confirm that the facility amount shall mean an amount of up to fifty million United States dollars USD 50,000,000</p> <p>b) Split the amount into tranches</p> <p>c) update the definition to reflect that the amount is linked to the Agency Agreement</p> <p>d) have the Commitment charge applied to the ratified amount of the facility</p>	<p>a) The authorities confirmed the amount before signing.</p> <p>b) This was not part of the EBRD approval and cannot now be considered without stopping the approval process, which will jeopardise the project</p> <p>c) EBRD needs a clear number in the PSRA</p> <p>d) the Commitment charge will apply from the date of the PSRA signing plus 60 days and applicable on the amount in the ratified PSRA by the parliament.</p>
Section 1.02. Definitions "Off-take Agreement"		Definition updated as per the attached PSRA
LIBOR		Added LIBOR wording under Section 2.08 (k)
Section 1.03. (a) (iv)		Deleted point
Section 2.03		Text updated as per attached PSRA
Section 2.07. (j)		Text updated as per attached PSRA

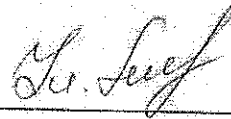
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Section 2.08. (b) The Minimum Prepayment Amount shall be USD 10 million	Reduce de minimum prepayment amount from USD 10 million to USD 5 million	Amended minimum prepayment amount to USD 5 million
Section 2.08. (e) The Interest Payment Dates shall be June 15 and December 15 of each year.	Government confirmed the dates as June 15 and December 15 of each year	
Section 2.08. (h) The Applicant shall pay to the Bank a front-end commission equal to one per cent (1%) of the Available Amount.	Reduce the front-end fee due to the very sensitive and strategic nature of the project	The EBRD fees structure for sovereign projects are standard across all EBRD's countries of operations.  The Bank cannot apply different financial terms to different countries because this is not accepted by the Board as it will create unequal treatment of the Bank's member countries, which is not acceptable irrespectively of sensitiveness of the projects.
Section 2.08. (j) The Applicant shall pay to the Bank a commitment charge (the "Post-Issuance Commitment Charge") at a rate of 1% per annum of the Available Amount	Examine the possibility to reduce the Post-Issuance commitment charge	This was raised by the team internally and not accepted due to the standard approach to sovereign deals. Previous comment applies
Section 2.09 Authorised Representative for Drawdowns	Ministry of Finance	Point updated as per attached PSRA
Section 2.10. Representations of the Applicant [Customary representations and warranties of the Applicant to be inserted in due course]		Deleted section
Section 3.01. Project Support Covenants	Specify that the Applicant shall ensure their implementation through the responsible public authorities.	Point updated as per attached PSRA
Section 3.02. Affirmative Covenants relating to the Project Entity	Specify that the Applicant shall ensure their implementation through the responsible public authorities	Point updated as per attached PSRA
Section 3.02. (c)	Provide the EBRD criteria for acceptable Auditors	These were explained and will be communicated in writing. EBRD to send a letter to Energocom.
Section 3.03. Negative Covenants relating to the Project Entity	Specify that the Applicant shall ensure their implementation through the responsible public authorities	Section updated as per attached PSRA
Section 3.03. (c)	Remove the limitation on dividend payments	The request was checked internally and the Bank cannot accept this limitation to be lifted at this moment in time due to the potential financial burden on the Project Entity as part of the project implementation.
Section 3.04. Procurement (a) (1)	Point applicable in case such contracts are required.	Point updated as per attached PSRA
Section 3.04. Procurement (a) (2)	Tenders conducted pursuant to the Agency Agreement	Point updated as per attached PSRA
Section 3.04. Procurement (c)		Point updated as per attached PSRA
Section 3.04. Procurement (d)		Point updated as per attached PSRA
Section 3.05. Environmental and Social Compliance Covenants		Point updated as per attached PSRA

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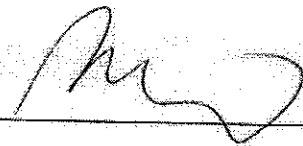
Section 3.06. Consultants (a)	The use of consultants in case if they are needed	Point updated as per attached PSRA
Section 3.06. Consultants (b)	Applicable to consultants engaged or financed by the Bank	Applicable to all consultants but only in case the facilities are not covered by the specific contracts. Point updated as per attached PSRA
Section 3.07. Environmental and Social Reporting Frequency and Submission Requirements		Section updated as per attached PSRA
Section 4.01. (a)	Section to apply to Project Entity only	Point updated as per attached PSRA
Section 4.01. (b)		Point updated as per attached PSRA
Section 5.01. Suspension	The legislative and regulatory changes applicable to the energy sector is too broad and the changes should be applicable to the project.	Section updated to refer to the Project only as per attached PSRA
Section 6.02. (e)		Point moved to the Application Form, Updated as per attached PSRA
Section 6.02. (f)	Applicant shall cause the Project Entity to arrange for the Beneficiary to deliver a declaration with regards to Arbitration arrangements acceptable to the Bank.	Section updated as per attached PSRA
Section 7.01. Notices	Government to provide ClientNet contacts	<a href="mailto:Elena.matveeva@mf.gov.md">Elena.matveeva@mf.gov.md</a> <a href="mailto:Marcel.olari@mf.gov.md">Marcel.olari@mf.gov.md</a>
SCHEDULE 1	Point 1- Update project description Point 2 – remove	Updated as per attached PSRA
SCHEDULE 2 – ENERGY SECTOR REFORM ACTION PLAN	The Government made a number of comments to the plan and presented a set of comments from ANRE (as attached to the minutes)	The comments were discussed and those accepted are presented in the revised Schedule 2 as attached to the minutes.

For the Government



Iuliana Dragalin

For EBRD



Octavian Costas





## Republica Moldova

### Agencia Națională pentru Reglementare în Energetică ANRE

str. Codrușeni, nr. 90, MD-2012 Chișinău, Tel.: +373 22 852 901, [anre@anre.md](mailto:anre@anre.md), <http://www.anre.md>

nr. 03/01/1788 din 06.12.2019  
la nr. 07-8078 din 02.12.2019

#### Ministerul Economiei și Infrastructurii

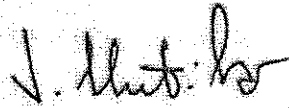
Agencia Națională pentru Reglementare în Energetică a examinat proiectul Hotărârii de Guvern cu privire la inițierea negocierilor asupra proiectului Acordului de suport al proiectului și rambursare "Instrument de procurare a gazelor în situație de urgență" între Republica Moldova și Banca Europeană pentru Reconstrucție și Dezvoltare și acordarea împuternicirilor pentru negocierea acestuia și comunică următoarele.

#### 1. La compartimentul "Energy Sector Reform Action Plan".

- a) De exclus pct. 2.1, deoarece majoritatea actelor normative de reglementare ce trebuie elaborate și aprobate de Agenție conform Legii cu privire la gazele naturale nr. 108/2016 au fost deja aprobate de Consiliul de administrație al ANRE. Regulamentul privind procedura de schimbare a furnizorului de gaze naturale de către consumatorii finali a fost aprobat prin Hotărârea Consiliului de administrație al ANRE nr. 676 din 22.08.2014.
- b) Codul rețelilor de gaze naturale a fost aprobat prin Hotărârea Consiliului de administrație al ANRE nr. 420/2019 din 22.11.2019 și transpune prevederile codurilor de rețea Europene privind rezervarea și alocarea capacității, procesul de nominalizare și managementul congestiilor. Transparența Codului de rețea privind echilibrarea se va efectua în termenele stabilite de Legea cu privire la gazele naturale, după preluarea acestuia de către Comunitatea Energetică, în rezultatul consultării publice a proiectului conform Legii privind transparența în procesul decizional nr. 238/2008 și Legii privind actele normative nr. 100/2017. Din aceste considerente considerăm oportun excluderea pct. 2.2. din compartimentul "Energy Sector Reform Action Plan".
- c) La pct. 2.3 de exclus textul "Energy Community Secretariat to approve draft law before final adoption". Secretariatul Comunității Energetice nu are competențe de a aproba proiectele de legi sau acte normative de reglementare.
- d) De exclus pct. 2.4, deoarece nu poate fi stabilită o astfel de obligație a Agenției. Tarifele pentru prestarea serviciului de transport al gazelor naturale de tip intrare/ieșire vor fi aprobate în conformitate cu prevederile metodologiei care va fi aprobată de Consiliul de administrație al ANRE, în conformitate cu prevederile Legii cu privire la gazele naturale nr. 108/2016. Agenția nu este în drept să includă în metodologia tarifară prevederi ce contravin legii.
- e) De exclus pct. 2.5, deoarece contravine prevederilor Legii cu privire la gazele naturale și atribuțiilor Agenției. Tarifele se aprobă în baza metodologiei tarifare, la solicitarea operatorului sistemului de transport, după ce sunt prezentate toate materialele, calculele necesare pentru examinarea costurilor ce urmează a fi luate în considerare la determinarea tarifelor. Nu pot fi aprobate tarife pentru prestarea serviciului de transport în cazul în care un

operator al sistemului de transport nu are construită rețeaua de transport al gazelor naturale, nu sunt prezentate costurile justificate și necesare pentru exploatarea rețelei de transport al gazelor naturale etc.

- f) La pct. 3.1 de exclus textul "and Chișinău Gaz" și termenul "31 March 2020", deoarece operatorul sistemului de distribuție S.R.L. "Chișinău Gaz" desfășoară doar activitatea de distribuție a gazelor naturale și este legal, funcțional separat de alte întreprinderi afiliate ale S.A. "Moldovagaz". Referitor la planul de separare al operatorului sistemului de transport S.R.L. "Moldovatrânsgaz", informăm că actualmente OST lucrează la elaborarea lui, în conformitate cu cerințele Secretariatului Comunității Energetice. Separarea operatorului sistemului de transport al gazelor naturale S.R.L. "Moldovatrânsgaz" nu va fi implementată până la 31 martie 2020.
2. Referitor la participarea personalului Agenției în calitate de invitați, în procesul de negocieri, informăm că specialiștii Agenției sunt disponibili să ofere consultanța și explicațiile necesare, la solicitarea Ministerului Economiei și Infrastructurii.



**Veaceslav UNTILA**  
**Director general**

# ENERGY SECTOR REFORM ACTION PLAN


(is subject to finalisation)

	ACTIONS	DEADLINE	RESPONSIBLE ENTITY	COMMENTS
1.1	<p><b>1. Implement Corporate Governance Action Plan at Energoatom</b></p> <p>Implement a Corporate Governance Action Plan that contains – inter alia – some targeted corporate governance actions aimed at improving the corporate governance and transparency at Energoatom in line with agreed best international practices.</p>	31 December 2020	Ministry of Economy and Infrastructure – Public Property Agency Energoatom	<p>The actions include:</p> <ul style="list-style-type: none"> <li>• Establishment within Energoatom of Procurement, Risk, Independent Compliance and Internal Audit functions.</li> <li>• Adding a qualified independent member to the Board and Audit Committee, and</li> <li>• Separation of accounts for key business lines.</li> <li>• Independent assessment of implementation of the above mentioned actions.</li> </ul>
2.1	<p><b>2. Develop and implement necessary secondary legislation and related measures</b></p> <p>Develop and adopt the by-laws and other regulations listed in the Gas Law for the introduction of switching rules etc.</p>	[TBC] [HDC]	ANRE	<ul style="list-style-type: none"> <li>• ANRE to adopt all by-laws listed in the Gas law</li> <li>• Energy Community Secretariat to assist, review and give its no objection on the draft by-laws before final adoption</li> </ul>
2.12	<p>In cooperation with the Energy Community Secretariat, amend the network codes to allow backhaul with Ukraine and Romania, balancing, capacity booking and</p>	[TBC] [December 2020]	ANRE	<ul style="list-style-type: none"> <li>• Network codes, approved/adopted by ANRE to request from TSOs to establish an on-line balancing platform and inform the participants</li> </ul>

	<p>allocation, congestion management, nomination process.</p>		<p>about their imbalances on a daily basis. Imbalances charges to be introduced.</p> <ul style="list-style-type: none"> <li>• Network codes, approved/adopted by ANRE to request from TSOs to establish an on-line capacity booking platform (applied to secondary capacity trading as well). Gradually move to a new capacity allocation method based on auctions.</li> <li>• Network codes, approved/adopted by ANRE to request from TSOs to establish an on-line nomination platform. All participants to give at least the day-ahead nominations</li> </ul> <p>This should achieve compliance with Regulation (EC) 715/2009 and relevant EU network codes, in line with the ongoing process of EU network codes implementation in the Energy Community</p> <p>The above mentioned on-line platforms could be integrated into one especially at the beginning when the number of participants will be low.</p> <p>ANRE to prepare in consultation with Energy Community Secretariat all the draft regulatory instruments necessary to introduce</p>
			<p>ANRE in cooperation with the Government of Moldova, Energy Community and EARD</p>
			<p>ANRE in cooperation with the Energy Community and EARD finalize a draft of the regulation/legislation by law</p>

<p>2.2.3</p>	<p>necessary for the introduction of the harmonized gas transmission tariff</p>	<p>In cooperation with the Energy Community, adopt the legislation/regulations by laws necessary for the introduction of the harmonised gas transmission tariff</p>	<p>31 March 2020 draft law finalised 301 March-June 2020 The law approved by the Government and submitted to Parliament for approval</p>	<p>The Government of Moldova (Ministry of Economy and Infrastructure in cooperation with ANRE, ENCS and EBRD)</p>	<p>harmonised transmission tariffs</p>
<p>2.3.4</p>	<p>In cooperation with the Energy Community Secretariat, ANRE to introduce entry-exit transmission tariff methodology in line with Directive 2009/73/EC. The methodology to include a harmonized tariff and an Inter-TSO Compensation mechanism (ITC).</p>	<p>Introduce the harmonised gas transmission tariff</p>	<p>30 September 29 May 2020</p>	<p>ANRE</p>	<p>Subject to amendment to the Gas Law, ANRE to introduce the necessary amendments to the transmission tariff methodology that allows setting of tariffs for all entries to and exits from the system on a non-discriminatory basis.</p>
<p>2.4.5</p>	<p>Introduce the harmonised gas transmission tariff</p>	<p>The earliest (29 May 30 September 2020) or the date of Onesti-Iasi-Ungheui-Chisinau pipeline commissioning fully operational</p>	<p>ANRE</p>	<p>ANRE</p>	<p>The harmonised gas transmission tariff should apply from this date onwards.</p>
<p><b>3. Strengthen the functional unbundling for the TSOs and main DSO</b></p>					
<p>3.1</p>	<p>Implementation of unbundling of Moldova Trans Gaz and Christian Gaz under the terms and conditions stipulated in the Law No 108 of 27 May 2016 on Natural Gas</p>	<p>31 March 2020</p>	<p>The Government of Moldova, ANRE</p>	<p>The Government of Moldova, ANRE</p>	<p>With the assistance from international partners and in coordination with ANRE and the Energy Community Secretariat, Moldovagaz to prepare an action plan for legal</p>

				<p>and functional unbundling of the <del>two</del> transmission system operators.</p> <ul style="list-style-type: none"><li>• Implementation of the action plan with the assistance from international partners and coordinated by the Energy Community Secretariat</li><li>• <del>Government</del> ANRE to coordinate with Energy Community Secretariat on how to enforce the Gas Market Law and send an unbundling implementation plan to EBRD and ENCS in order to facilitate the companies implementation.</li></ul>
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CORPORATE GOVERNANCE ACTION PLAN

#	Action	To be implemented no later than:
<i>Establishing a Procurement Function within the Company</i>		
1.	<p>The Company shall establish an internal procurement function in line with governance standards binding under the Agreement on Government Procurement of the World Trade Organisation. The Company, as a buyer and a seller dominating the market shall commit to competitive selection standards. As regards internal procurement function the Company shall adopt a procurement strategy (for both gas and electricity) and enact other internal templates, bylaws, guidelines and/or manuals aimed at enhancing the transparency and competitiveness of its electricity and gas procurement practices and aligning it with international and industry best practice, for example as promoted by Chartered Institute of Procurement and Supply.</p> <p>The Company shall also train its staff to conduct competitive electricity and gas procurement.</p> <p>The procurement function shall be established, no later than:</p> <p>The procurement strategy shall be approved by the board of the Company, no later than:</p> <p>Training sessions shall be held, no later than.</p>	<p>30 June 2020</p> <p>30 September 2020</p> <p>30 September 2020</p>
<i>Internal control function</i>		
2.	<p>The Company shall ensure that the internal control framework is commensurate to the size and complexity of its operations and allows for monitoring and mitigation of strategic, financial and operational risks. The Board of Directors (via the Audit Committee) shall review the existing internal controls on a regular basis (at least once a year).</p> <p>In particular, the internal control framework shall at minimum include the risk management and internal audit functions, as well as processes and procedures aimed at ensuring compliance with legal requirements and ethical rules. It shall also include a code of ethics aimed at building a strong corporate culture and reputation for integrity.</p> <p>The Company shall establish a function responsible for risk management which shall, inter alia, be responsible for:</p> <ul style="list-style-type: none"> <li>• developing a risk matrix so to identify and monitor exposures to risk and identifying mitigating measures;</li> <li>• preparing reports on material breaches of risk limits and proposing adequate action;</li> <li>• if relevant, testing the adequacy of the Company's insurance protection and annually reviewing their insurance coverage;</li> <li>• developing risk response processes, including contingency and business continuity programs;</li> <li>• reviewing strategic transactions and significant new business initiatives to assess risk exposure;</li> </ul>	

#	Action	To be implemented no later than:
	<ul style="list-style-type: none"> <li>• conducting a periodic risk assessment and report results to the risk and audit committee;</li> <li>• developing and monitoring key risk measures/indicators;</li> <li>• preparing regular reports on risk for the Audit Committee/Board; and</li> <li>• promoting risk awareness and culture within the Company, by organising various trainings.</li> </ul> <p>The Company shall also establish an <b>independent internal audit function</b>, in line with best practices (e.g., International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors or other standards satisfactory to the EBRD):</p> <p>The Company shall ensure that the head of the internal audit function and its staff are independent, are not restricted in accessing information, are reporting directly to the Board of Directors (via the Audit Committee) and perform their activities on the basis of a comprehensive audit plan, approved by the Audit Committee, whose implementation is reported to the Audit Committee and the Board of Directors on a quarterly basis. The Audit Committee/Board of Directors shall review whether additional human resources and expertise are required for the effective fulfilment of the internal audit function's tasks. The Audit Committee shall be in charge for the selection, appointment and dismissal of the internal auditor. The remuneration of the head of the internal audit shall be reviewed by the Audit Committee according to criteria that do not undermine his/her independence and objectivity and set at a level that reflect the level at which he/she is required to operate in the organisation.</p> <p>The duties and responsibilities of the risk management function shall be defined and the function shall be established no later than:</p> <p>An internal audit function shall be in place no later than:</p>	<p>30 June 2020</p> <p>30 June 2020</p>

**Establishing an independent compliance function and adopting a compliance programme**

3.	<p>The Company shall adopt a <b>Compliance Programme</b> in line with best practices, which inter alia details how conflicts of interests and related party transactions shall be dealt upon by staff, management and the Board, as well as the management of internal and external bribery and corruption risks.</p> <p>The Compliance Programme shall include policies and procedures to help ensure the Company complies with relevant laws and regulations. In this respect, the Company shall introduce/strengthen its <b>code of ethics</b> to be based on best international practices. The code shall articulate the company's mission and values, and clearly state what behaviour is expected from all employees, including the Board of Directors and management, and what behaviour is unacceptable. The code shall include statements aimed at building a strong reputation for integrity in line with best practice; fostering employee loyalty and retention; building strong relations with suppliers and other business partners; and strengthening trust and respect of stakeholders. The code shall include rules on: prohibition of bribery; prevention of legal, regulatory and ethical violations; responsibility to comply with all local laws; conflicts of interest and related party transactions; gifts and hospitality; use of company information; responsibility to report wrongdoing (which must be supported by whistle-blower protection mechanism).</p> <p>The Company shall take all necessary steps to ensure that the code's provisions are implemented in practice by, among other things, requiring all senior managers and directors to submit an annual declaration of compliance with the code. The Board</p>	
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#	Action	To be implemented no later than:
	<p>of Directors shall monitor the code's implementation and receive reports thereon at least annually. The code shall be published on the Company website. A summary note on the code's implementation shall be included on the Group's website/annual report.</p> <p>The Company shall also ensure that there is an independent <b>Compliance Officer</b> in charge of monitoring the Compliance Programme and code of ethics and reporting on its implementation to the Board. The Compliance Officer can be an externally appointed person or an existing employee (e.g. head of the legal department) as long as he/she has the seniority, capability and reliability required herein. The Compliance Officer shall have a seniority to be able to propose changes required directly to the Management and the Board and ensure that these changes are duly implemented. In particular, the Compliance Officer shall:</p> <ul style="list-style-type: none"> <li>- develop, initiate, maintain, and revise policies and procedures for the general operation of the compliance program and its related activities to prevent illegal, unethical, or improper conduct;</li> <li>- develop and periodically review and update the Company's standards of conduct to ensure continuing currency and relevance in providing guidance to management and employees; collaborate with other departments (e.g., procurement, risk management, internal audit, human resources department, etc.) to direct compliance issues to appropriate existing channels for investigation and resolution; consult with the head of the legal department as needed to resolve difficult legal compliance issues;</li> <li>- develop, initiate, maintain, and revise whistleblowing policies and procedures;</li> <li>- respond to alleged violations of rules, regulations, policies, procedures, and standards of conduct by evaluating or recommending the initiation of investigative procedures; develop and oversee a system for uniform handling of such violations;</li> <li>- act as an independent review and evaluation body to ensure that compliance issues/concerns within the Company are being appropriately evaluated, investigated and resolved; monitor, and as necessary,</li> <li>- coordinate compliance activities of other departments to remain abreast of the status of all compliance activities and to identify trends;</li> <li>- develop/implement corrective action plans for resolution of problematic issues, and provide general guidance on how to avoid or deal with similar situations in the future; provide reports on a regular basis (i.e., yearly), and as directed or requested, to keep the board and senior management informed of the operation and progress of compliance efforts; develop anti-corruption compliance policies including procedures to prevent bribery by agents, intermediaries, joint ventures or syndicates; work with the human resources department and others as appropriate to develop an effective compliance training program, including appropriate introductory training for new employees as well as ongoing training for all employees and managers; and monitor the performance of the compliance program and relates activities on a continuing basis, taking appropriate steps to improve its effectiveness.</li> </ul> <p>a. The Compliance Officer shall be appointed no later than:</p> <p>b. The Compliance Programme (including the code of ethics) shall be approved no later than:</p>	<p><b>30 June 2020</b></p> <p><b>30 June 2020</b></p>
<p><b>Strengthening the qualification and independence of the board</b></p>		

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#	Action	To be implemented no later than:
4.	<p>The Company shall ensure that at least one additional independent and duly qualified non-executive director shall be appointed to the Company's Board and (if applicable) the Audit Committee.</p> <p>Such independent director shall have experience and qualifications appropriate for the functions and responsibilities of the Board of Directors and, if applicable, the Audit Committee, taking into consideration the Company's strategy and key challenges and risks it faces in its implementation. Ideally, the independent director, shall have experience in internal audit of energy trading companies.</p> <p>The director's profile shall be shared with, and approved by, the EBRD before appointment.</p> <p>The independence of non-executive directors/supervisory board members shall be grounded upon the definition included in Annex II of the EC Commission Recommendation dated 15 February 2005, complemented by criteria which address the objectivity and independence of judgement that independent directors should have in practice (i.e., independent board members should demonstrate their independence in practice and positive terms and not only in non-affiliation terms). For the avoidance of doubt, officials that cover or have covered in the past executive positions in the Company or in any company controlled by or controlling the Company, cannot be considered independent.</p> <p>For this purpose, the board shall conduct an evaluation to assess the board dynamics and effectiveness and the extent to which the mix of skills present at the board and committee(s) is fit for purpose, considering the Company's strategy, risks and the board's and the committee(s)' functions and responsibilities. The findings of the evaluation shall be used to improve the work of the board and committee(s) and to prepare specific job descriptions for the second independent properly qualified director to be hired.</p> <p>The evaluation of the Board and the committee(s) is finalised by:</p> <p>The independent director shall be appointed no later than:</p>	<p>30 June 2020</p> <p>30 September 2020</p>
<b>Separate accounts for key business lines</b>		
5.	<p>The Company's key business lines shall be organised in separate organisational units according to its licensed functions (i.e. gas and electricity trading), in order to increase accountability and provide clarity on the drivers of financial performance of the Company.</p> <p>The Company shall prepare separate, and publish IFRS-compliant financial accounts for each of its key business lines. This will allow senior management, the Board and other stakeholders to better understand the drivers of the Company's losses and revenues, to tailor KPIs for individual business lines and to hold relevant managers accountable for individual business line performance.</p> <p>a. The full accounting separation of the key business lines shall begin no later than:</p>	<p>30 June 2020</p> <p>30 September 2020</p>

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#	Action	To be implemented no later than:
	b. The first separated IFRS-compliant account shall be published no later than:	
<i>CGAP implementation and reporting</i>		
6.	<p>The Company shall identify an officer who will be primarily responsible for ensuring implementation of this CGAP, and who will report on implementation progress to the EBRD on due dates for each individual action from this CGAP at the latest. Once the implementation deadlines for all actions under this CGAP have lapse, the Company shall engage a qualified and reputable external party (e.g. consultant) acceptable to the EBRD for a review of the measures that have been undertaken and their adequacy in light of commitments from this CGAP. The results of this review shall be communicated to the EBRD.</p> <p>a. The officer responsible for CGAP implementation and reporting shall be communicated to EBRD no later than:</p> <p>b. The external party review of the CGAP implementation shall be conducted no later than:</p>	<p><i>31 December 2019</i></p> <p><i>31 December 2020</i></p>



**European Bank**  
for Reconstruction and Development

Ms. Natalia Gavrilita  
Minister of Finance  
7, Constantin Tanase Str.  
Chisinau, MD-2005,  
Republic of Moldova

17 October 2019

**Re: Gas Purchase Facility Initiation**

Dear Ms. Gavrilita,

In response to the letter No 11/2-07/258 dated 12.09.2019 and the subsequent meetings with the Government's representatives, I would like to inform you that the Bank is considering providing the requested financing for 2019 emergency gas purchase.

Little time remains for implementing a new EBRD financing in 2019 and, moreover, the EBRD's Public Procurement Rules necessitates the use of an EBRD compliant gas procurement system. Time does not permit implementing such a procurement system in Moldova this year. However, such a procurement system is in operation at Naftogaz. Hence, subject to successful negotiations between Moldova and Naftogaz, the EBRD could consider arranging financial support in 2019, as follows:

- The gas buyer (e.g. Energocom) soonest enters into an Agency Agreement with Naftogaz satisfactory to the Bank. Naftogaz (NAK) will handle gas procurement and such other services necessary to deliver the gas to Energocom.
- EBRD would enter into an agreement with the Republic of Moldova (RoM) which sets out the terms (*including the entry into the Agency Agreement between Energocom and NAK for the procurement and supply of gas*) under which EBRD may issue a letter of credit (L/C), or similar payment instrument, in favour of NAK in respect of NAK's rights to receive payments from Energocom under the Agency Agreement.
- The L/C will be for a limited term and aims to facilitate NAK agreeing that Energocom will have up to 180 days (*to collect receivables*) before paying Naftogaz for gas delivery.
- The RoM would reimburse any amounts EBRD pays out under the L/C. Repayment term of 36 months may apply.
- The RoM will undertake to implement a study in 2020 with the objective to prepare an action plan for Energocom relative to modernising corporate governance and procurement.
- Finally, the project documentation would follow EBRD's sovereign loan documentation to the extent possible and its sovereign terms, including EBRD's sovereign pricing.

If you find the above an acceptable solution, then we will now seek internal approvals. Given the very tight schedule, this project will require significant efforts to secure timely approvals from both the Bank and the Government of Moldova. Negotiations would need to be concluded by **7 November 2019** in order to enable the review and approval by the EBRD Board of Directors at the last meeting of the year on **11 December 2019**.

In parallel, I am pleased to confirm that the Bank is also interested to commence preparation of a sovereign loan for gas purchases in the summer of 2020. An overview of this 'second project' is presented in Annex I to this letter.

The details of the project preparation can be discussed with Octavian Costas, Associate Director, Senior Banker in EBRD Chisinau office (Tel: +37369109585, email: [costaso@ebrd.com](mailto:costaso@ebrd.com)) and Iryna Tsahelnik, Associate Banker in EBRD London HQ (Tel: +447551126352, email: [tsaheli@ebrd.com](mailto:tsaheli@ebrd.com)).

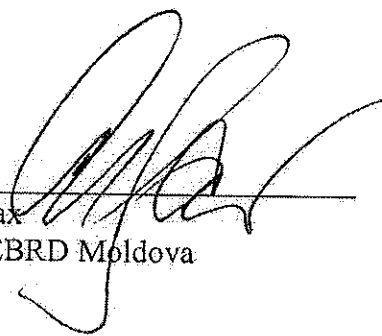
We look forward to continuing our co-operation with you and successful preparation and signing of these two facilities.

Yours sincerely,

By:

Name: Angela Sax

Title: Head of EBRD Moldova

A handwritten signature in black ink, appearing to be 'AS', written over a horizontal line. The signature is fluid and cursive.

## **Annex 1 – Overview of the ‘Second Project’ for 2020 Summer Gas Finance**

The financing structure for 2020 season gas purchase project (the Project) envisages the provision of a 2-3-year working capital loan by the Bank to the Republic of Moldova of up to USD 150 million to finance 2020-2023 winter season gas purchases. The Bank's involvement would, *inter alia*, be subject to satisfactory due diligence, further progress on gas sector reform and approval of the Project by the Bank's management and Board of Directors.

In the preparation of the Project, consultant will be required to conduct a study of Moldovan gas market in order to update the Energy Reform Action Plan (ENERSAP) developed by EBRD in 2016 in collaboration with Moldovan authorities and other development partners. The scope of the study would also include the governance framework of the state owned entities involved in the gas purchase facility. The Bank is ready to select and engage a consultant for up to EUR 70,000 as per Terms of Reference presented in Annex II. We would like to obtain your commitment that we launch the study in October 2019.

We would also ask you to facilitate the consultant's cooperation in identifying and – where appropriate -- contacting relevant stakeholders and making available their experts as both interviews subjects and final workshop attendees. We also need the contact details to a project study person, who will enable this cooperation and deliver the answers to initial list of questions presented in Annex III.

We anticipate joint review of the study and negotiations on a term sheet for the Project in February 2020. Approvals are then expected in April and signing in May 2020. That would give time to implement necessary gas procurement and trading trainings and timely disbursement for the first purchase of back-up gas stored EU and/or in Ukraine.

## **Annex II. Terms of Reference - Moldovan Gas Market Study**

### **Context – Moldovan gas market**

Moldova is at present an important route for the transit of Russian gas to Turkey, Bulgaria, Greece and the Western Balkans. In recent years, the amount of gas transported through Moldova was around 20 Bcm/y. The figure below (source: EC) illustrates the strategic position of Moldovan gas market in the wider region, between Ukraine, Romania, and wider Western Balkan markets.

The local gas market on the right bank of Dniester River – excluding Transnistria - is relatively small with 1 bcma consumption, with a single source of supply. Transnistria has 1.6 to 1.9 bcma consumption. The local power market is chiefly dependent on gas as a fuel source.

All key gas market activities in the country remain concentrated within the corporate group of one vertically integrated company – Moldovagaz (joint venture of Gazprom and Moldovan state). The company is responsible for gas imports from Russia and exercises control over the country's two gas transmission system operators, Moldovatrangaz (managing gas flows on the right bank of Dniester) and Tiraspoltrangaz (managing gas flows in Transnistria). Through its twelve subsidiaries, Moldovagaz controls about 70% of Moldovan gas distribution networks, and acts as a major retail supplier. Rules and procedures for supplier switching are adopted, and the supply rules are drafted. In practice, however, only incumbent suppliers are active in the market.

Vestmoldtrangaz, a new TSO established by Moldovan state in 2014 for developing new interconnections, was sold to Romanian Trangaz in 2018 with the obligation of the latter to invest in the Ungenhi Chishianu pipeline, which would enhance connection to Romanian gas market. Diversification of gas supplies in Moldova via Romania depends primarily on making the interconnector with Romania operational through the Iasi-Ungheni pipeline (low throughput), and in particular on its projected extension to Chisinau anticipated for 2020. Potentially, some diversified imports via Ukraine and/or Balkans via transit pipeline could also be considered, subject to access arrangements.

Moldova is in process of preparing the unbundling, and the respective certification of Vestmoldtrangaz and Moldovatrangaz in compliance with the Third Energy Package in order to ensure the completion of the procedure by 1 January 2020, as set by its Accession Protocol to the Energy Community Treaty.

### **Background**

Given positive experience with similar arrangements in Ukraine, there is interest from Moldovan policy makers, in EBRD helping to structure and fund a gas import facility with a duration for about a year. The concept is to use the facility to purchase gas from Western European gas markets as a back-up security supply to Russian gas.

That is seen as an important step in the development and liberalisation of the Moldovan gas market as it continues to move away from dependence on a single monopoly supplier.

EBRD wishes to support this development, and broader gas market reforms and is seeking support in an overview of the Moldovan gas regulations, import system, domestic consumption, history of gas payments and a proposed reform programme to enhance sector performance with regards to a move to a cleaner energy use in the country's energy mix, better energy security and more economic viability.

We understand the key focus of this study to be on the right bank of Dniester river, and to exclude Transnistria.

## **Objectives of the consulting services**

EBRD is seeking the support of Baringa Partners to i) provide an updated reform roadmap for the Moldovan gas market in line with its commitment under the EU Association Agreement and Energy Community Treaty; ii) review the corporate governance of the designated entity for natural gas purchases vs best international practices

The starting point of the analysis shall be the ENERSAP developed by EBRD in collaboration with EIB, EU and Energy community. The consultant shall update the current status of the implementation of the original reform program and complement it with potential additional milestones needed for market liberalization in the country taking into account recent and anticipated market development in the region.

The recommendation shall be based on specific analysis of:

- ✓ Regulations governing the gas sector
- ✓ Gas pipeline import system
- ✓ Domestic consumption
- ✓ Industry landscape – key players and roles
- ✓ History of payments
- ✓ Current role of gas in the energy mix; and
- ✓ A proposed reform programme to enhance sector performance with regards to a move to a cleaner energy use in the country's energy mix, better energy security and more economic viability.

The consultant shall also review the review the corporate governance of the designated entity for natural gas purchases vs best international practices. For this purpose EBRD will make available its expertise in similar assignment in its countries of operations and together with Moldovan authorities will identify the relevant international benchmarks.

## **Scope of services**

EBRD requires the development of 1) an update reform roadmap of the Moldovan gas market through desktop research and telephone and on-site interviews with key players, and the development and facilitation of a stakeholder workshop in Moldova to better understand options for further market development, and proposed reform programme status. 2) recommendation on a corporate governance model for the designated entity for gas purchases;

Specifically, the scope of services to be undertaken are as follows:

1. Having identified and invited, in coordination with EBRD, a group of relevant stakeholders, undertake a series of telephone interviews to establish a strong understanding of the status quo, their expectations and desires regarding Moldovan gas market, and to engage them in the project process of anticipated further opening up to diversification
2. Develop, based on the interviews, data request, and desktop research and analysis, and drawing on consultant's experience and expertise, a c.15-to 25 page draft report that will act as a 'primer' for a stakeholder workshop to be held subsequently. This report is anticipated to contain:
  - a. A clear expression of objectives of the study
  - b. An overview of progress to date in the development of the Moldovan gas market
  - c. Identification of preferred option(s) for further market development based on assessment of pros and cons of gas market reform versus EU Gas target model
  - d. Recommendations
3. Identification and invitation of key stakeholders to attend workshop in Moldova on status of the gas market and proposed reforms (this to be done in coordination with EBRD)
4. Preparation for and execution of a [half-day] workshop in Moldova

5. Documentation of outputs of workshop, updating of the draft report to final form, and a closing review session with EBRD

### Timeline

The indicative timeline for the services is as follows:

Timeline	Activities	Output
October	<ul style="list-style-type: none"> <li>• Project kick-off*</li> <li>• Confirmation of initial stakeholder interviews, data gathering initiation and on-site visit invitations</li> <li>• Primary research including review of documentation</li> </ul>	<ul style="list-style-type: none"> <li>• List of interview subjects and invitees</li> <li>• Calls / emails to request interview and invite stakeholders to meetings</li> </ul>
November	<ul style="list-style-type: none"> <li>• Preparation of interview questionnaires</li> <li>• Telephone interviews with Moldovan and other Western European parties</li> <li>• Collation of interview notes</li> <li>• Drafting report</li> </ul>	<ul style="list-style-type: none"> <li>• Meeting notes</li> <li>• Captured data</li> </ul>
December 2019	<ul style="list-style-type: none"> <li>• Discussion of draft report</li> <li>• January workshop preparation (including aligning with EBRD)</li> </ul>	<ul style="list-style-type: none"> <li>• 15-25 page report to be provided in advance of the workshop to attendees</li> <li>• Workshop material</li> </ul>
w/c 6 January 2020	<ul style="list-style-type: none"> <li>• Workshop in Moldova</li> </ul>	<ul style="list-style-type: none"> <li>• Post-workshop notes</li> </ul>
w/c 13 January 2020	<ul style="list-style-type: none"> <li>• Workshop follow-up review call / meeting with EBRD</li> </ul>	<ul style="list-style-type: none"> <li>• Agreed next steps and actions</li> </ul>
w/c 20 January 2020	<ul style="list-style-type: none"> <li>• Finalisation of post-workshop documentation and report</li> </ul>	<ul style="list-style-type: none"> <li>• Final report</li> <li>• Closing meeting in London with the EBRD team</li> </ul>

\* Interview and Workshop dates are subject to confirmation based on project kick-off and availability of key personnel and stakeholders

### Annex III. Information Request List

Component	Data required	Description	Units	Moldova specific comment
Existing and proposed national gas transmission infrastructure	Interconnection point (IP) and direction	Name of gas interconnection point and direction specified by region of origin to country of destination	-	Existing national gas transmission infrastructure - focus at existing system, transit. Proposed - focus at new investments, and their status. Information per TSO.
	Technical capacity of IPs on exit/entry	Total energy flowing through each IP per day	MWh/day	
	FID	Status of financial investment decision (FID)	-	
	Date of commercial operation	Date when the IP began/projected to begin operation	-	
Existing and proposed underground storage facilities (UGS)	UGS name	Name of storage facility	-	There is no existing underground storage facilities (UGS), any information on reliance on Ukraine system
	Capacity (working gas)	Maximum amount of gas UGS can hold	TWh	
	Operator	Party operating UGS	-	
	Withdrawal	Amount of gas taken out of UGS per day	GWh/day	
	Injection	Amount of gas injected into UGS per day	GWh/day	
	TPA	Reserved for third party access (TPA)	%	
	Location of UGS	Geographic location of UGS	-	
	Monthly utilisation	Average utilisation of storage capacity per month, last year	%	
	FID	Status of financial investment decision	-	
	Date of commercial operation	Date when the UGS began/projected to begin operation	-	
Existing and proposed liquefied natural gas (LNG) terminals	Name of LNG terminals	Name of LNG terminals	-	Moldova is mostly landlocked with exception of 600 meters of Danube flowing to Black sea. There is no existing liquefied natural gas (LNG) terminals; any plans for e.g. FSRU in co-
	Commercial Operation Date	Date when the terminal began commercial operation	-	
	Technical capacity	Maximum LNG flow per day	MWh/day	
	Max docking	Size of LNG ship	m3/MNG	
	Access	Conditions under which the terminal may be accessed	-	
	Fees	Fees paid for the use of terminal	EUR/MWh	
	Annual regasified	Volume of regasified	TWh/year	

	volumes	LNG at each terminal per year		operation with Ukraine could be specified
	FID	Status of financial investment decision	-	
	Date of commercial operation	Date when the terminal began/projected to begin operation	-	
Market fundamentals	Gas demand	Gas demand by sector (residential, industry, generation, transport, other, own consumption) for 2010-2019 and outlook until 2040	TWh/year	Market fundamentals - we note a large dependence on single supplier
	Historical electricity production by fuel	Electricity generated by different technologies, i.e. solar, wind, oil, coal, gas for 2010-2019	TWh/year	
	Demand outlook by sector	Projected natural gas demand for until 2040 by sector (residential, industry, generation, transport, other, own consumption)	TWh/year	
	Indigenous natural gas production	Current production volumes include source, i.e. offshore, onshore, 2010-2019	MSm <sup>3</sup> /year	
	Natural gas imports	Annual natural gas imported by country, 2010-2019	TWh/year	
	Suppliers	Overview of wholesale gas market players by market share, 2010-2019	%	
	Long term contracts	Description of current long-term contracts by supplier including the detail on source, Annual Contract Quantity (ACQ, take or pay) and indexation (oil, hubs, define), contract duration for each supplier	-	
	History of payments	Overview of payments to suppliers for 2010-2019	\$/year	
	Gas prices	Historical (2010-2019) and projected gas prices per sector (residential, industry, generation, other)	\$/MWh	

Regulation and Gas market	Key institutions and network regulation	Institutional network and list of key policies in place for the natural gas market - overview in English	-	Latest status (2019)
Future Outlook	Government strategy at least until 2030.	Any available documentation of current and future government energy strategy; maps of gas system (present, outlook)	-	Latest status (2019)