

## THE CONSEQUENCES OF MOLDOVAN OILMEN'S "FLIRTATION" WITH POLITICAL DECISION MAKERS

Ion MUNTEAN

*The interference of political decision-makers in the process of setting fuel prices is a very visible practice, being acknowledged by the representatives of some oil companies operating in the Republic of Moldova. As a result, the stable and predictable market development framework is compromised and the prospect of rooting competitive principles becomes even more distant. In the first 2 months of 2021, the price of petroleum products experienced an increase that was reflected differently on the Moldovan market compared to the same evolution on the Romanian market, where most quantities of petroleum products come from. Over 65% of the market is held by 6 companies, and over 80% of the import of A95 petrol is controlled by only 3 companies.*

The current trend of the return of the oil price to the quotations existing prior to the pandemic crisis is reflected in a distorted manner on the internal market of the Republic of Moldova which uses for reference the quotations of the oil barrel. The same trend is obvious in relation to the evolution of fuel prices on the markets of the countries of origin of petroleum products, especially in Romania. The growth rate of fuel prices in the first two months of 2021 is significantly higher than the increase in oil prices on respective stock markets, and this is a fact regarded with dissatisfaction by consumers.

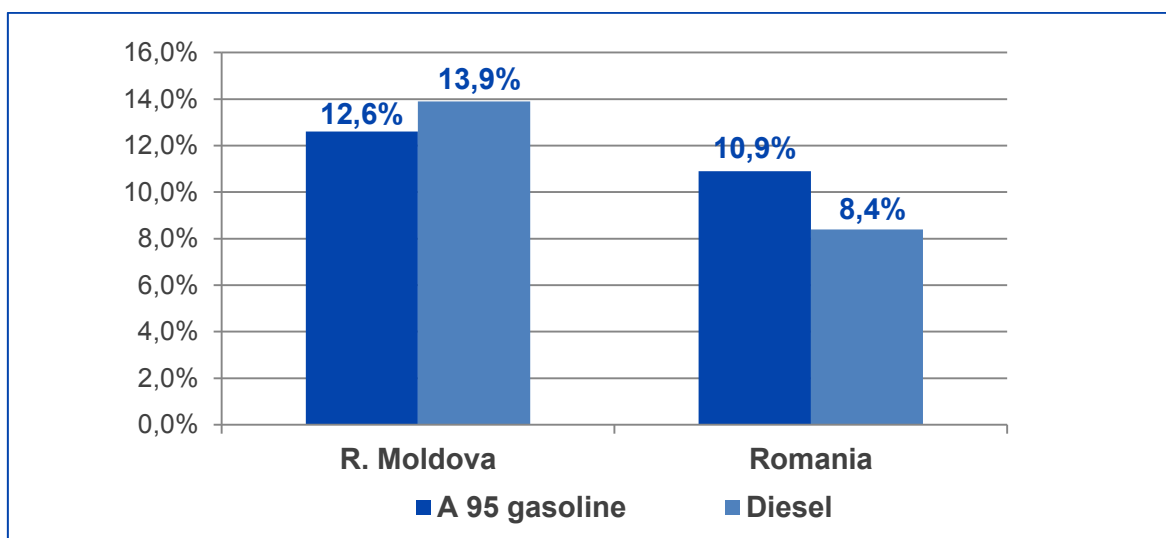
The issue of rising fuel prices is having a severe impact on consumers and the economy, which has been hit hard by the pandemic crisis, and especially on the farmers who are just starting the seasonal spring works. The increases in the upper limit of fuel prices when oil prices rise and the decreases in the lower limit when oil prices fall indicate that the specific characteristics of the oil products market in the Republic of Moldova are the instability and vulnerability to political events.

According to ANRE data for 2019, the main supplier of petroleum products on the market of the Republic of Moldova is Romania, holding a share of 99.94% in gasoline and 87.26% in diesel out of the total imported. Of the total quantities of imported petroleum products, diesel has a share of over 70% and gasoline of over 19%. Over 65% of the market is held by 6 companies, and over 80% of the import of A95 petrol is controlled by only 3 companies.

In the first 2 months of 2021, the price of petroleum products experienced an increase that was reflected differently on the Moldovan market compared to the same evolution on the Romanian market, where most quantities of petroleum products come from. Thus, on

March 1, 2021, the average selling price of A95 gasoline in the Republic of Moldova increased by 12.6% starting with January 4, 2021, while in Romania the increase was 10.9%. In the case of diesel fuel, the discrepancy in the price increase was even greater, and in the same period, the price increased by 13.9% in the Republic of Moldova while in Romania by only 8.4%.

### Evolution of increase in fuel prices in the first two months of 2021



Source: <https://www.globalpetrolprices.com>

The distorted reflection of the evolution of fuel prices on the local market is explained primarily by the biased tendency of oil companies to recover some of the revenues missed during 2019 due to the parliamentary elections in November 2019. At the same time, they try to accumulate a reserve capital that would act as a safeguard against any losses in the near future in the event of new parliamentary elections. The "flirtation" of oil companies with political forces has become a tradition on the Moldovan market, and something which makes their activity vulnerable to political interference. Because of this, the market does not develop according to free competitive principles but is guided by unwritten rules and group interests.

In order to objectively reflect the evolution of global oil product prices on the Moldovan market, it is first of all necessary to discontinue the informal relationship between oil companies and policymakers. This can be achieved by penalizing them for trying to compensate for losses in pre-electoral periods. The Competition Council has an important role to play here. Secondly, the institutions directly involved in monitoring the activity of oil companies need to demonstrate more independence and increase the visibility of their activity related to market monitoring and interventions. In particular, the Competition Council must demonstrate visible results in terms of addressing the issue of cartel agreements on setting prices by Moldovan oil companies. Regarding ANRE, this institution has a very important role in ensuring the transparency of the activity of oil companies so as to provide consumers with sufficient credible information.

If key players in the field do not intervene to rectify the situation, the economic sector and consumers will become even more vulnerable to rising oil prices, which could lead to mass protests. In turn, oil companies risk being brought back into the price regulation framework despite the fact that this approach is not supported by the EU sectoral policy framework transposed in the legislation of the Republic of Moldova. The lack of actions by public authorities, especially the Competition Council and ANRE will discredit their image and inhibit the development of the market.

Rising oil prices are inevitable in the short and medium-term perspectives and maintaining the biased approach of adjusting local market prices to respective market developments will increase consumer dissatisfaction. The interference of political decision-makers in the process of setting fuel prices is a very visible practice, being acknowledged by the representatives of some oil companies operating in the Republic of Moldova. As a result, the stable and predictable market development framework is compromised and the prospect of rooting competitive principles becomes even more distant.