

PROTOCOL

of the Meeting of the Delegations of the Republic of Moldova and Pridnestrovie

July 31, 1998

MGRES, town of Dnestrovsk

In fulfillment of the Protocol from July 21, 1998 (Chisinau) on Relationship in the Fuel and Energetic Sector, the Parties have agreed:

1. The Statement of the Republic of Moldova on the construction of the main gas pipe of high pressure V.Kukhureshti-Senatovka down to the river Dniester towards Kamenka in 1998 – 6 km, in 1999 – termination of the construction is positively taken into account. The Pridnestroviien side is in urgent manner to complete elaboration of draft documentation regarding modification of the existing project. The deadline for submission of an agreed scheme to the Stock Company Corporate Group Moldavgaz is August 20, 1998.

2. State Enterprise Moldtranselectro and Production Association RUMG Tiraspoltransgaz within one-week period are to conclude agreement on covering transport services for natural gas supply to MGRES for electric power production for the Republic of Moldova. In addition, Agreement should reflect the following:

- a) price for transport operations amounting 5.8 dollars USA per 1000 m3 exclusive of VAT and distance;
- b) effective period of the 5.8 dollars USA tariff is from January 1, 1998;
- c) debt repayment schedule.

3. By August 30, 1998 to carry out transfer of property of the main gas pipes located on the territory of the south regions of the Republic of Moldova, from economic use of the Production Association RUMG Tiraspoltransgaz over to economic use of the RPMG Moldovatransgaz.

4. The parties mark that preparation of the Moldovan GRES for autumn-winter period is at risk of failure because of the financial hardships which largely came up as a result of non-fulfillment of the debt repayment schedule of the State Enterprise Moldtranselectro before the Moldovan GRES approved by the Presidents of the Republic of Moldova and Pridnestrovie in February 1998 and untimely procurement of current charges for electricity supplied. (Debt of the State Enterprise Moldtranselectro as of 01.07.98 makes up more than 20 mln.dollars USA).

5. The Moldovan GRES and State Enterprise Moldtranselectro within one-week period will conclude agreement on supply of electric power to the Republic of Moldova for 1998-1999, with tariff of 1 kW per hour produced from MGRES fuel amounting 3.8 cents (exclusive of VAT), and from fuel of the State Enterprise Moldtranselectro – 1.32 cents per 1 kW per

hour. The Republic of Moldova will provide electric power deficiency payments through the purchase by the Moldovan GRES, except for emergency cases. Either Party will to the utmost direct its efforts towards debt repayment, 100% payment for current supplies and cost reduction through production volumes augmentation, equipment repair and decrease of all components of primecost.

6. The Moldovan side (the State Enterprise Moldtranselectro) ensures debt repayment for electricity supplied in January-July 1998, by August 31, 1998 totaling 5 mln. Dollars USA. The Government of the Republic of Moldova will prepare a new schedule of debt repayment for 1997 by August 20, 1998 and present it for approval of the leadership of the Republic of Moldova and Pridnestrovie.

7. In case of complete provision of an adjusted plan of electric energy supplies in compliance with Agreement with the State Enterprise Moldtranselectro, the Moldovan GRES may supply electric energy to enterprises and organizations of Ukraine based on direct agreements coordinated with a Dispatching Center of the State Enterprise Moldtranselectro.

For Pridnestrovie
Deputy Minister of Industry
and Energy
I.Maksimenko

For the Republic of Moldova
Managing Director of Power Industry
and Fuel-Energetic Resources Department
(signed)
A. Gonchar

written in hand:

Disagreement:

Article 7 after words "based on direct agreements" should be read as "with giving notice of this to the State Enterprise "Moldtranselectro""

(signed)

25.08.98