

Weekly Report



June 04 - 10
2018

Energy Sector
Political Update

Energy

► New authorization issued by Ministry of Energy

The Ministry of Energy has authorized the construction of a transport system that will allow Romania to export gas to Bulgaria and to the Republic of Moldova, as well as Transgaz's takeover of gas from the Black Sea continental shelf. The Ministry issued the construction authorization for the consolidation of the natural gas transport system between Onești (Bacău County) and Isaccea (Tulcea County) and the reversal of the gas flow on the Isaccea - Negru Vodă pipeline will also be made possible. According to representatives of the Ministry, the initial consolidation of the system will contribute to the creation of a transport corridor between Greece, Bulgaria, Romania and Ukraine. The consolidation works will be carried out between 2018 and 2019. The projects developed by Transgaz are on the Lists of Common Interest adopted by the European Commission, which encourages gas and electricity interconnection projects in the Member States in order to increase the level of energy security.

Energy

▶ Hidroelectrica invests in modernization

Hidroelectrica received two bids for retechnologization of the Vidraru power plant, a project estimated at 80 million EUR, according to sources from the Ministry of Energy - one from the Romelectro (Romania) - Litostroj Power (Slovenia) consortium and another one from the Chinese company PowerChina Huadong Engineering Corporation. Hidroelectrica has launched an international public tender in February this year. If the selection process works well, the contract could be signed in two months. The estimated value of the project reaches 78.98 million EUR (without VAT), to which can be added a maximum of 1.75 million EUR in unanticipated expenses, as the works will be carried out by the winning company over a period of four years and eight months since the date of assignation.

Moreover, Hidroelectrica aims to modernize other 5 transformation stations, all funded from the company's own sources

Energy

► Minister of Energy praises Romania for its renewable energy

Energy Minister Anton Anton declared that “Romania is Europe's leader in renewable energy and other countries will not manage to achieve the targets set by the European Union.” He added that, in the long run, Romania intends to switch from coal-fired power plants to gas-fired power plants, presumingly by 2040. Moreover, Minister Anton also recognizes that only 1% of the energy used for transport is renewable and this “pulls the country backwards”.

Energy - Trends to watch this week

► Romgaz (the largest producer and main supplier of natural gas in Romania and also the most valuable national listed company) announced the completion of the selection procedure for the Board of Directors. According to the company, shareholders will elect the future directors on July 6

The Board of Directors convened for July 6th an Ordinary General Assembly, which will elect via cumulative vote the seven members of the Board of Directors of Romgaz (from 21 short-listed candidates). The Ministry of Energy, a major shareholder in Romgaz, wants to revoke five members from the current board and proposed other four to replace them, for a four months period.

Energy - Trends to watch this week

► The Industry and Environment Commission of the Chamber of Deputies adopted a joint report which stipulates that companies that need to acquire green certificates will be required to buy at least 50% of them from the anonymous green certificates spot market (with some exceptions).

The report refers to the draft law for the approval of the Government Emergency Ordinance 24/2017 on the amendment and completion of Law 220/2008 establishing the system for the promotion of energy production from renewable energy sources. Therefore, the impact of green certificates on final consumers' invoices is expected to increase stepwise from 11 EUR/MWh to 14.5 EUR/MWh by 2022. Following the proposal of the Industry Commission's president, Iulian Iancu, the draft law will be placed on the agenda of the Chamber of Deputies, the final decisional body, under an emergency procedure.

Energy - Trends to watch this week

► The draft law on the regulation of offshore oilfield operations (PL-x 33/2018) was debated on Tuesday, June 12th, in the Industry and Environment Commission of the Chamber of Deputies and it is now on the agenda of the plenum of the Chamber of Deputies.

However, the Permanent Bureau approved an extension of the deadline for submitting the final report by September 27th, 2018, so it would be voted in plenary most likely in the autumn, in the second parliamentary session, or in an extraordinary session this summer, even if a vote was expected in the first session.

Political

► PSD counter-attack with protest meeting against 'abuses' of the 'parallel state'

PSD showed party discipline and good organizational skills by rallying up more than 200k people in Victory square on Saturday, the "protest (being) against the Parallel State and constant abuses in Justice" mantra. This meeting was publicly announced by Dragnea on Monday, following PSD's weekly gathering and immediately all party members (as well as local branches) started gathering participants in order to meet up with the number requirements. Nonetheless, the rally was a show of political force. Dragnea also said that NATO / EU / foreign partners should take some of the blame for supporting this Parallel State. Key speakers in addition to Dragnea - Tariceanu (Senate Speaker), Olguta Vasilescu (Labor Minister), Liviu Plesoianu (MP) and Gabriela Firea (Bucharest Mayor) - underlined the damage "the Parallel State did to plain, honest citizens" and what risks Romania is facing if this "Parallel State continues to thrive

Political

► Liviu Dragnea's clash with President Klaus Iohannis

PSD leader publicly signalled the party's willingness to suspend/impeach the President if Klaus Iohannis hesitates too much to sign Kovesi's revoking document: "we cannot stand still, we have to use all constitutional and legal tools if Mr. President breaks the Constitution, regardless the costs". Dragnea underlined that UDMR (the Hungarian parliamentary minority) is "one reliable party in terms of legislative initiatives, not like the other opposition parties". This is an important message in the presidential impeachment context because the President can be suspended by the Parliament through a common session (Chamber of Deputies together with the Senate) with the 50+1 majority and if this scenario should occur, the Hungarians could tilt the balance for an effortless result. This can also signal a future invitation for the Hungarians to government

Political

► President Iohannis announces CSAT meeting to tackle upcoming NATO Summit

Klaus Iohannis pointed out that the Presidents' B9 Format had confirmed its efficiency since its foundation and up to the present, while stressing that the coming NATO Summit must reaffirm the Alliance's solidity as a whole, and also the one of the transatlantic bond.

Romania is approaching these matters as seriously as possible and, in the light of the extremely important decisions to be taken at the NATO Summit, I've decided to summon a special CSAT meeting to get prepared for that summit," the head of state declared.

Political - Trends to watch this week

► Venice Committee representatives are meeting Tudorel Toader and President Iohannis on Monday, Iordache committee representatives on Tuesday.

On the agenda: justice laws and penal codes. Official reactions from all three involved sides (Parliament, President and Venice Committee representatives) should follow.

► Dacian Ciolos announced once more that he is going to launch a new party, this time in autumn when all registering process should be done.

Soon after, Romania Together Movement is going to announce a political program. Reaction from opposition members regarding this topic could follow.

► Opposition representatives are determined to file in a motion of no confidence on the Government.

- we expect it to fail. The name: "stop the puppet Government". Expect official reactions (mostly from PNL members), but also do expect increased turbulence with opposition PNL due to Orban's style of leadership. This can be capitalized by Ciolos and USR as right wing alternatives.