

# Main developments

in Romania's energy sector

March 2018

▶ Dragnea's 2040 energy vision - grand projects, clean coal, energy exporter

▶ Positioning on liberalization - good by EU rules, bad for consumers?

▶ Transgaz becomes regional player amid HU controversy

▶ Key question on offshore gas - how much does Romania stand to win?

## Main stakeholders:

PSD President, Minister of Energy, Chamber of Industries President, Transgaz

## Issues:

Energy strategy, Black Sea Gas, Gas liberalization, Regional Expansion, Gas exports

# Energy Sector

## Dragnea's 2040 energy vision – grand projects, clean coal, energy exporter

► In the main programmatic event of the beginning of the year for the ruling coalition, PSD's President Liviu Dragnea outlined his vision for a 2040 country project, where energy and resources is one of six key pillars. His energy vision is based on large projects such as Cernavoda 3 and 4, Tarnita-Lapusesti, on reopening coal mines and on exploiting Black Sea gas, with the aim of becoming a regional energy security provider. Energy minister Anton Anton had previously outlined these aims when talking about the future energy strategy, due to be released by the end of the year. Anton doubled down on support for coal, calling it indispensable to system security, and vowing to obtain more lenient timelines for the adaptation of old capacities to EU emissions regulations. Beyond declarative support, the ruling coalition advanced on proposed legislation which would ease access to protected nature sites for miners. While views on projects and status are similar, divergences appear between the party boss and the energy minister from the junior partner on how an energy security provider should look. Dragnea sees a role for direct gas exports in this, while Anton believes focus should be on exporting electricity, with higher value added.

**What to look for:** Material support and steps forward can be expected on grand projects where messages have been consistent. However it is to be determined what the preferred focus for regional energy security providing will be – power or the lower perceived value-added gas. In general, the 2040 vision could be pushed to become a long-term “governing program”, to be diligently applied by all.

# Energy Sector

## Positioning on liberalization – good by EU rules, bad for consumers

► On gas market liberalization, in late February EU Commissioner for Energy and Climate Miguel Canete told an energy conference that proposed amendments to Emergency Ordinance 64 would keep the infringement process open, while stressing the need for dialogue. Industries Committee President Iulian Iancu, who pushed the amendments for 70% gas trading obligation and single gas exchange, refrained from offering a direct reply, instead blasting liberalization for record increases in consumer prices for power and gas. He also quipped that Romania is in the absurd position of planning to export raw materials instead of higher added value products, in probable reference to gas.

**What to look for:** Price increases attributed to liberalization could become a hot issue which might affect discussions on Ordinance 64, with a negative perception on liberalization being stoked with no counterweight. This could also fuel an “us-versus-them” theme, as liberalization is perceived as being imposed on Romania, with Romanians paying European prices in spite of having resources.

# Energy Sector

## Transgaz becomes regional player amid HU controversy

► Transgaz meanwhile successfully became a regional player, as Economy Minister Andrusca put it, with its purchase of MD-RO interconnector operator Vestmoldotransgaz, together with an obligation to build a pipeline to Chisinau. This was overshadowed by previous rumors promoted even by Hungary's PM Viktor Orban that Hungary is set to receive Black Sea gas. Ministries and agencies had to refute several opposition inquiries on any agreement on Black Sea gas, with Transgaz later issuing a statement to dismiss "accusations" towards its leadership of foul play - as such a deal with Hungary was seen. While keeping it general, the Energy Ministry repeated that gas added value would be explored in the strategy.

**What to look for:** the issue reveals sensitivities to even rumors of gas exports from the Black Sea, especially if they take public opinion by surprise. There is a strong perception that natural gas flows are politically driven, rather than guided by the market, so the public acceptability of the flow would depend on the receiver.

## Key question on offshore gas - how much does Romania stand to win?

► The added value of Black Sea gas was a recurrent theme throughout the month. President Liviu Dragnea raised the key question of the need to clarify how much Romania stands to win from natural gas projects in the Black Sea both after a meeting with ExxonMobil and during his 2040 vision speech. Meanwhile, progress on the offshore law has been slow, with still 2 opinions and the report required before the draft can be submitted to final vote. The coalition's focus on justice laws, on which Dragnea recently doubled down, could have added to the slow pace.

**What to look for:** This topic is expected to feature more prominently when the draft offshore law reaches final debates, with decision-makers wanting to show that the wealth bestowed upon Romania would not be squandered, especially to foreign investors, as this could be perceived by said decision-makers as a potential political vulnerability. Progress on the offshore law could remain slow until a clear picture emerges on the benefits.