

Brussels, 14 March 2019

To:

**H.E. Viorica Dancila, Prime Minister of the Republic of Romania,
H.E. Anton Anton, Energy Minister
H.E. Iulian Tudorache, Secretary of State for Energy**

Copies: see below

Subject: Legislative changes introduced by GEO 114/2018

**Madam Prime Minister,
Your Excellencies,**

We would like to draw your attention to the detrimental impacts that the legislative changes introduced by Government Emergency Ordinance 114/2018 published in the Official Gazette on 29 December 2018 ("GEO 114") create for gas producers in Romania.

The International Association of Oil & Gas Producers (IOGP) is the voice of the global exploration & production industry. Our Members produce over 85% of Europe's oil & gas. IOGP supports a well-functioning internal energy market in Europe, in which oil and gas can flow freely across borders. We also engage in discussions on technical issues and strive to make sure that the rules covering financial issues enhance energy market developments.

Romania has the potential to become the third largest gas producer in Europe thanks to its offshore reserves in the Black Sea, should it put in place the right policy framework. In our view this prospect is jeopardized by the measures introduced by GEO 114 capping the price for domestically produced gas, introducing sales obligations for gas producers to Romanian consumers, and introducing a 2% turnover contribution to the national regulator. These measures essentially abandon the concept of a free gas market in Romania with impacts also on the wider region. As they stand, they strongly discourage future offshore and onshore investments in Romania.

The measures constitute yet another market disruption and over-regulation reducing trust of investors in a stable legislative framework for investments in Romania. Their impact will extend long beyond their intended period of effectiveness. Furthermore, the indirect export ban introduced by GEO 114 through the obligation to cover with priority national household consumption and mandatory allocation to non-household consumption, is against the principles of a fully-integrated internal energy market in the European Union. GEO 114 will also impact the large investment efforts into the infrastructure corridors in the region. As such investments will be extremely challenging to justify or finance without the ability to freely move gas across borders in line with the EU's Third Energy Package.

We also note that according to EU trade law, any derogation from the principle of free movement of goods, which is not construed strictly and narrowly in accordance with EU law, goes against the EU legal requirements.

Finally, with full respect of the right to regulate, please allow us to stress that the monetary contribution of 2% of the turnover achieved from the activities covered by the licenses granted by ANRE seems disproportionate to the operating cost of ANRE, obviously impacts gas producers' economics of doing business in Romania as it cannot be passed on to end-users.

IOGP encourages national legislators to avoid detrimental effects on the development of Romania's energy resource potential by at least repealing rapidly Articles 124 (1¹), 124 (1²), 124 (1³), and 181 (9) of the Electricity and Natural Gas Law 123/2012 as introduced by GEO 114 and by reducing the contribution to ANRE introduced by Article 2 (3¹) of Emergency Ordinance 33/2007 to a proportionate level which allows an efficiently acting national regulatory authority to be adequately funded.

A stable and predictable legislative and fiscal framework is the core requisite for any investment and is of outmost importance in this capital-intensive industry.

IOGP welcomes the opportunity to be a committed partner of dialogue with you in identifying solutions which best meet the needs of all stakeholders involved; the government, the people of Romania and the upstream industry.

We thank you for your consideration and remain at your disposal to discuss this further.



François-Régis Mouton
Regional Director Europe, IOGP

Copies :

- European Commission Vice-President for Energy Union, Mr. Maroš Šefčovič,
- European Commissioner for Climate Action and Energy, Mr. Miguel Arias Cañete,
- European Commission Director-General for Energy, Mr. Dominique Ristori
- Florin Ciocanelea, Counselor
- Lazar Sorin, President of the Committee for Budget, Finance, and, Banks, The Chamber of Deputies
- Solomon Adrian, President of the Committee for Labour and Social Protection, The Chamber of Deputies
- Drula Catalin, President of the Committee for information technologies and communications, The Chamber of Deputies