

TO:

Prime Minister Vasilica - Viorica DĂNCILĂ

The Government of Romania

CC:

Mr Călin-Constantin-Anton POPESCU-TĂRICEANU, President of the Senate

Mr Nicolae-Liviu DRAGNEA, President of the Chamber of Deputies

Mr Iulian Iancu, Chairman of the Committee for Industries and Services of the Chamber of Deputies

Mr Eugen Orlando Teodorovici, Minister of Public Finance

Mr Anton ANTON, Minister of Energy

Mr Dumitru CHIRITA, President of ANRE

Mr Zoltan Nagy-Bege, Vice-President of ANRE

21 December 2018

**Subject: EFET¹ statement regarding the draft Emergency Ordinance in
Romania**

In reaction to the most recent plans announced by the Romanian authorities regarding the Emergency Ordinance, EFET would like to express its concerns over the impact this will have on the domestic energy industry and Romanian end consumers. Implementing the Ordinance in its current form would not only be in clear conflict with the Romanian Law, but it would **make it impossible to establish a EU Network Code-compliant wholesale gas market**. Therefore, with this letter we encourage the Romanian authorities to abandon the Emergency Ordinance project entirely, so as not to **eliminate the progress already made in reforming the Romanian gas market**, as this will impact negatively both consumer prices and gas supply investment.

The proposed measures are in direct **conflict with the EU single market principles of free trade and free movement of goods and are likely to trigger new EU infringement proceedings**. Specifically, the measures discriminate Romanian producers against foreign producers (who will be free to sell to Romanian consumers without any price caps). This will strongly **disincentivize investments into gas production** because producers will not be able to sell gas at prices reflecting international energy commodity prices. Consequently, Romania will experience a decline in domestic production over time making it **more dependent on imports** of gas from foreign producers. Existing onshore fields are naturally depleting quickly and require constant investments to avoid a fall of production, while new offshore fields represent huge investments over several years. All these investments require a stable, predictable and clear legislative framework allowing positive economic returns. In this context we would also like to highlight that the erratic introduction of ever new legislation with no prior consultation with the stakeholders is deeply intervening into **economic life and threatens sustainability of whole sector**, as private companies may no longer wish to start or continue doing business in Romania.

¹ The European Federation of Energy Traders (EFET) promotes competition, transparency and open access in the European energy sector. We build trust in power and gas markets across Europe, so that they may underpin a sustainable and secure energy supply and a competitive economy. We currently represent more than 100 energy trading companies, active in over 27 European countries. For more information: www.efet.org.

The Emergency Ordinance may in practice pose a threat to the Romanian security of gas supply. Fixing the prices at the wholesale level will detach them from the international context, possibly reducing **supplies available to Romanian consumers especially at times of high demand in the winter which is the opposite of what policy makers intend**. Legislative blocking of exports may result in another infringement procedure against Romania, while securing imports is extremely difficult, and will come at a cost, if possible at all. Recent history has shown that the regional supply can be at risk in case of crisis. For the period considered (2019-2022), the whole area has been recognized as being not able to cope with a lengthy disruption of the Ukrainian transit (cf. European ENTSOG studies on Security of Supply). Moreover, with the current level of production, Romanian balance is already dependent on imports at peak.

Apart from the threats to the market participants and gas supplies, we would like to underline that any potential gains on end-users prices will be short-lived. Since the ordinance will increase the share of Euro or Dollar nominated imports, prices for end customers will have to rise. On the other hand, , in a stable and market friendly legislative framework domestic production has the potential to exceed the national demand, putting Romania in a favourable price position. It should also be noted that the Emergency Ordinance interferes greatly with gas trading activities in the region, giving grounds for the European Commission to start an infringement procedure, as well as freezing the existing funds granted for the development of the Romanian gas transmission network.

To conclude, EFET would once again like to request the Romanian authorities to reconsider the draft Emergency Ordinance, that is interfering with the way the wholesale market was designed to function in Europa. The proposed measures are in strong conflict with the EU single market principles of free trade and free movement of goods and have the potential to trigger new EU infringement proceedings. We are certain that a stable investment environment and implementation of the EU Network Codes will ensure Romania's security of supply and competitive prices to the end consumers.