

# Romania could sustainably benefit from a competitive gas market

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**OMV Petrom**

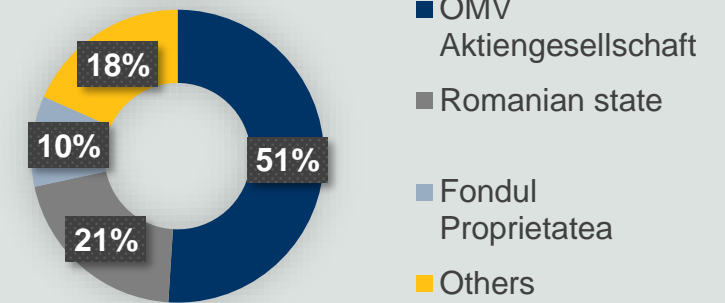
The energy for a better life.



# About OMV Petrom



- ▶ Largest integrated energy company in SEE
- ▶ Romania: main market
- ▶ Regional presence in SEE & Kazakhstan
- ▶ Covers ~40% of Romania's energy demand
- ▶ Turnover: EUR 4.8 bn in 2018
- ▶ #1 private investor in Romania
- ▶ #1 taxpayer in Romania
- ▶ Top employer in Romania



# Impact in the Romanian economy in 2018



**4.5-5%**  
of Romanian GDP

**~ 10%**  
of state budget revenues  
(unconsolidated)

**~1 bn EUR**  
Investment/year

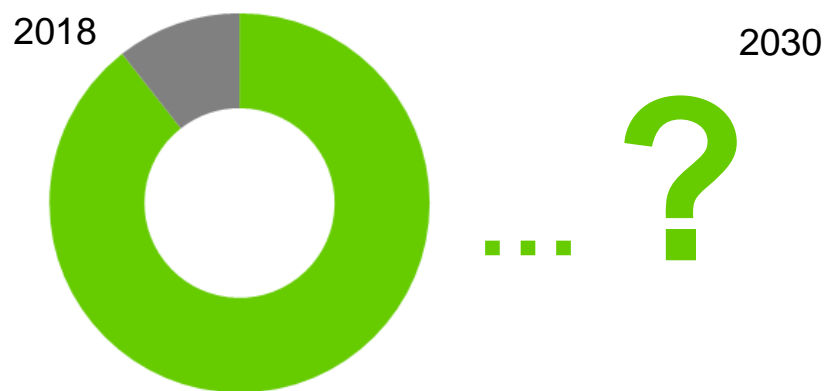
**~53,000**  
jobs (direct & indirect)



# Romania has the highest growth potential in the regional gas market ...

**Within the region, Romania has the largest share of domestic gas in consumption**

Domestic production and imports share in consumption



- Domestic gas production is a huge strength
- Committed infrastructure developments

**Reserve replacement requires large scale & long cycle investments**



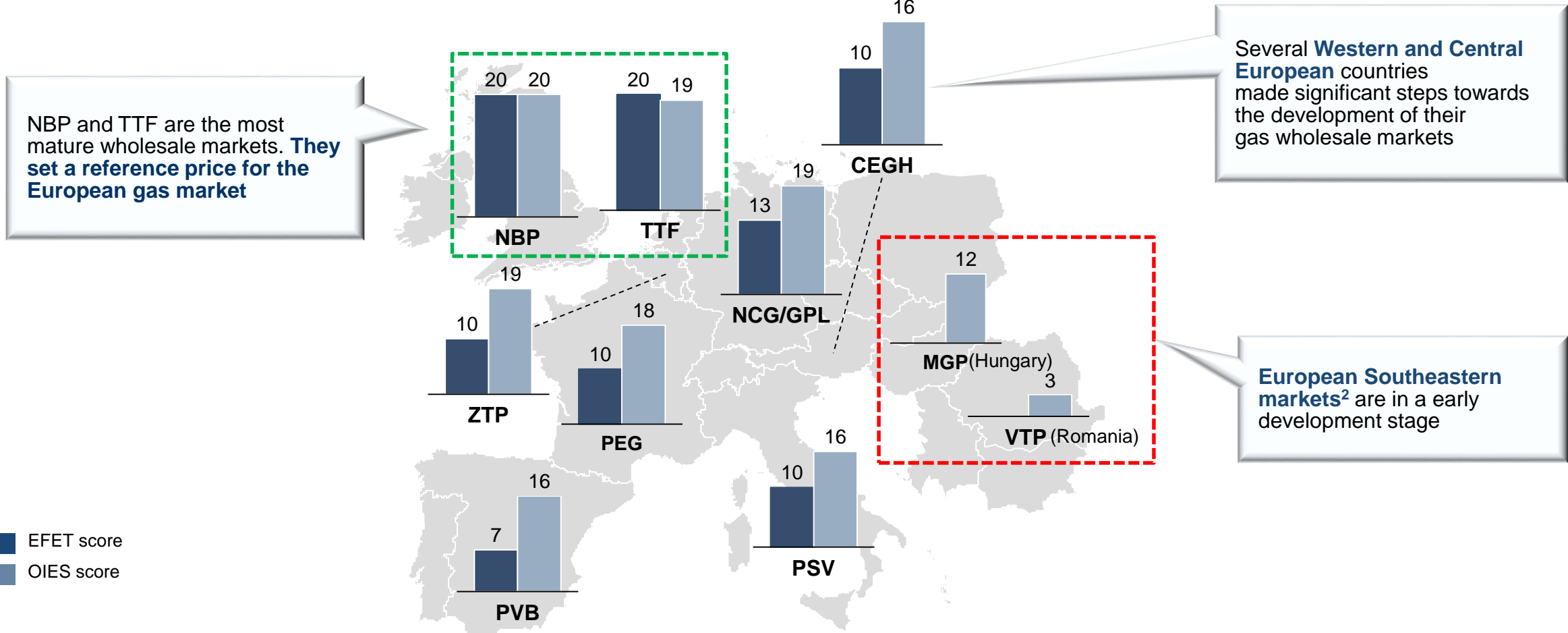
- Exhaustion reserve horizon: 15 - 20 years
- Significant new discoveries in the pipeline

Decreasing indigenous European gas production  
Gas is important for long term energy and climate strategies

Sources: ANRE, Report on gas market perspectives in Romania / 2018

# The European wholesale markets reached different levels of maturity

Hub development scores according to EFET and OIES studies<sup>1</sup>

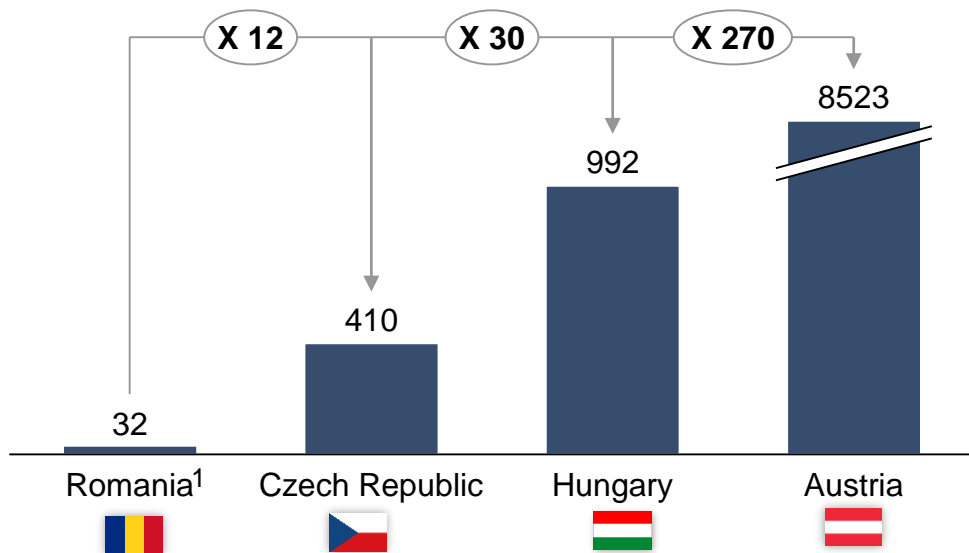


1. Both EFET and OIES publishes studies respectively in 2018 and 2017 which measure the development stage of the European gas hubs based on several criteria and assigns a rating to each one  
2. These markets are not included in OIES study – Source: Oxford Institute for Energy Studies, EFET

Source: Emerton “A proposed roadmap to guarantee security of supply, affordability and competitiveness of natural gas in Romania”, April 2019

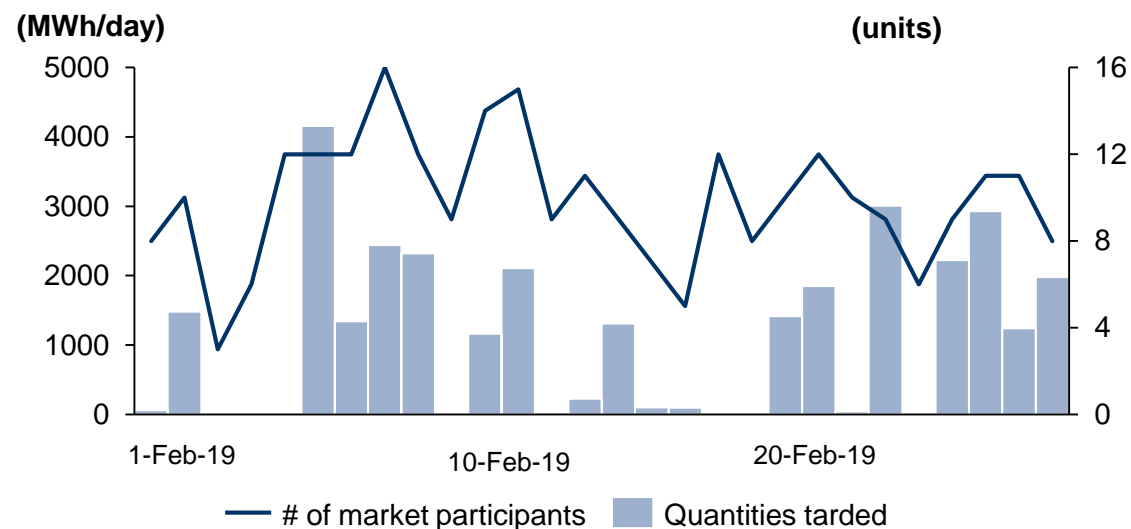
# The Romanian wholesale market is still in a very early stage of development compared to the neighboring countries

Gas quantities traded on day-ahead markets in February 2019 (GWh)



The volumes traded on the Romanian day-ahead market are still low compared to neighboring hubs

Gas quantities traded and number of market participants on the day-ahead market<sup>1</sup> in February 2019

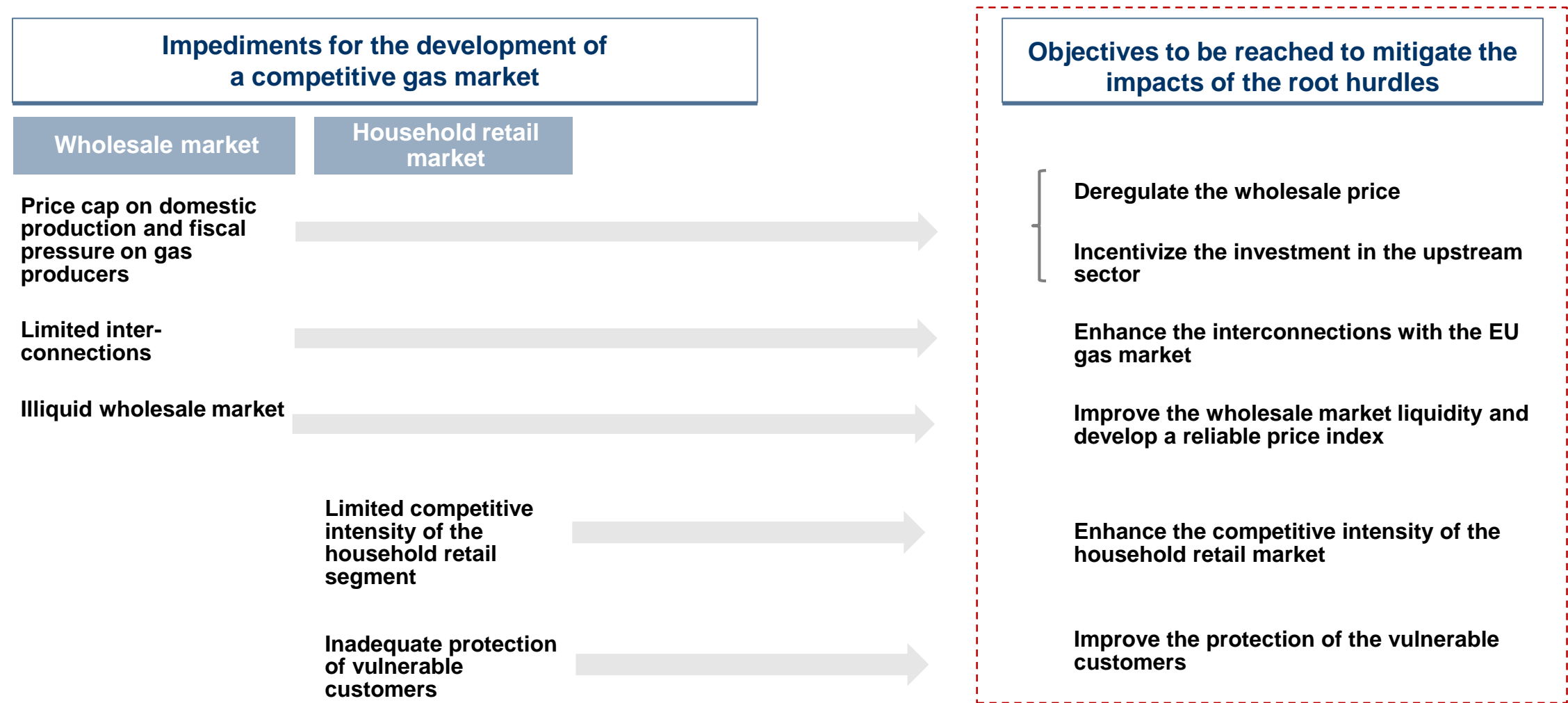


- The liquidity of the Romanian market is erratic and quite limited in some days
- The currently applicable *Centralized Market Obligation (CMO)* is not fully adapted to improve market liquidity

1. Sum of the volumes traded on BRM and OPCOM

Source: BRM, CEGH, CEEGEX, Emerton "A proposed roadmap to guarantee security of supply, affordability and competitiveness of natural gas in Romania", April 2019

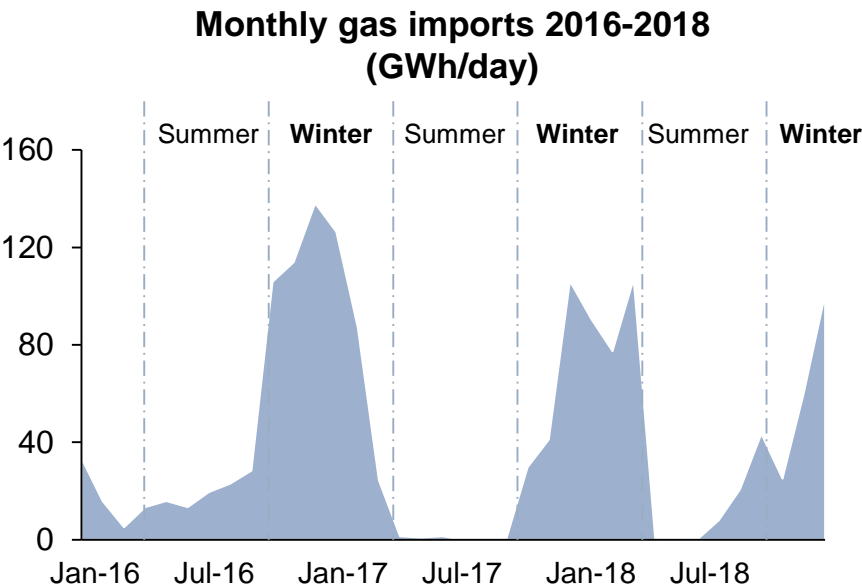
# However, the new regulatory environment is impeding the emergence of competitive and well-functioning markets...



Source: Emerton "A proposed roadmap to guarantee security of supply, affordability and competitiveness of natural gas in Romania", April 2019

# ...leaving Romania vulnerable to any disruption of the Russian gas flows through Ukraine

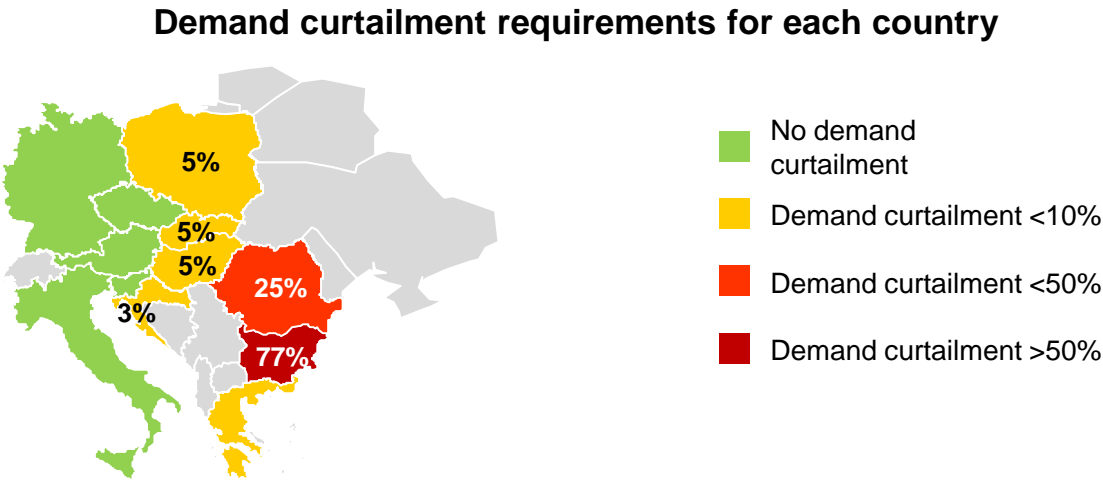
Romania is dependent on gas imports during peak demand periods



Gas imports play a key role in fulfilling Romanian gas needs during peak demand periods

Romania is vulnerable to potential disruptions of Russian gas imports

- A stress test realized by ENTSOG in 2017 estimated the demand curtailment requirements in case of disruption of all imports through Ukraine during the two first weeks of February

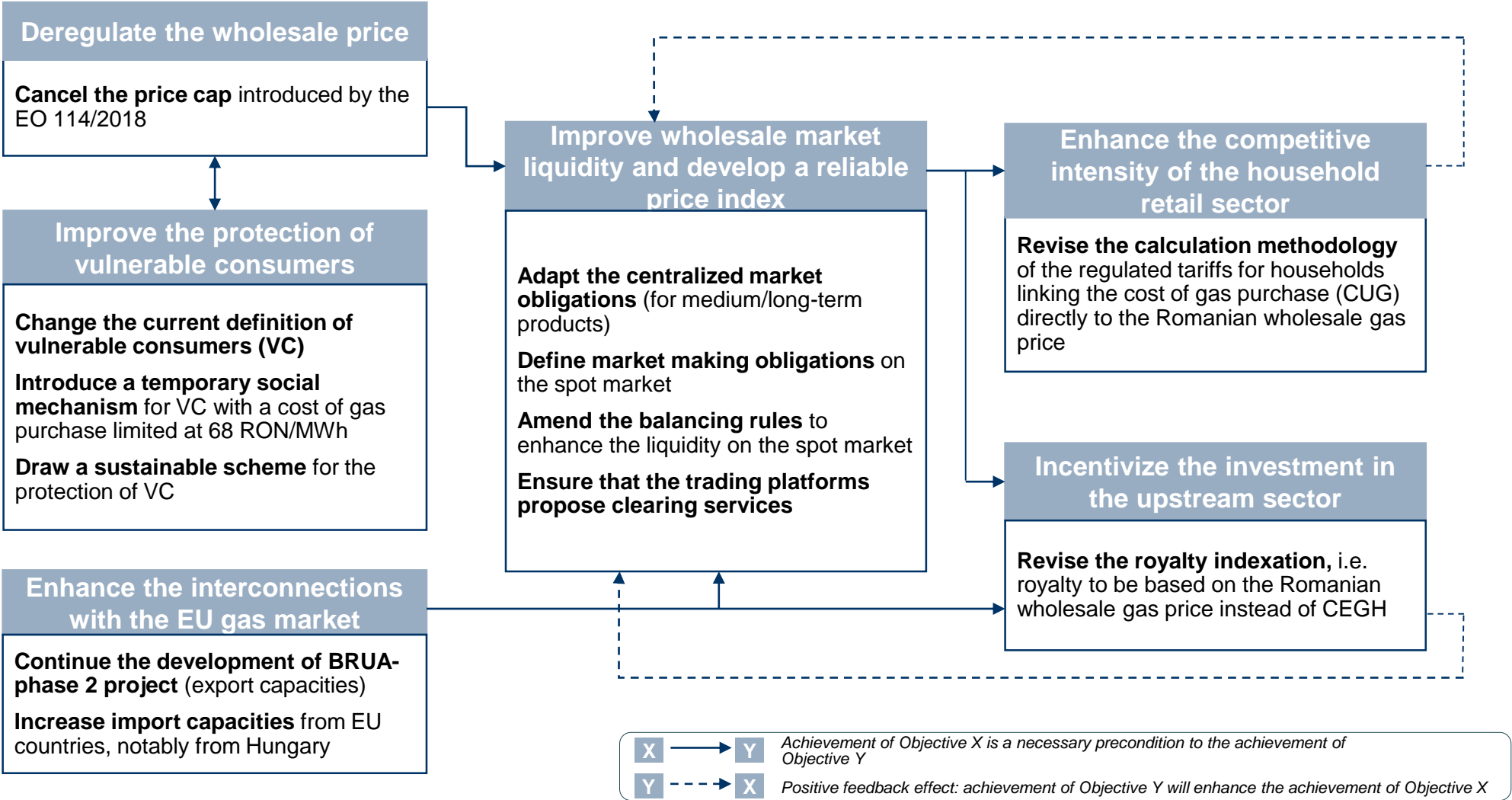


Romania is one of the most vulnerable EU countries to any disruption of the Russian gas imports through Ukraine during winter

Source: Emerton "A proposed roadmap to guarantee security of supply, affordability and competitiveness of natural gas in Romania", April 2019



# In order to mitigate these factors, a roadmap has been proposed



9 Source: Emerton “A proposed roadmap to guarantee security of supply, affordability and competitiveness of natural gas in Romania”, April 2019

# To get back on track, Romanian gas market needs ....

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## STABLE INVESTMENT FRAMEWORK

- Demonstrate clear vision and coherent energy strategy
- Offer balanced, predictable and stable energy regulatory framework



## INFRASTRUCTURE DEVELOPMENT ACCELERATION

- Strive for the materialization of the planned transport and cross border capacity



## ECONOMICALLY DRIVEN FUNCTIONALITIES

- Enable price visibility by appropriate market set-up
- Unbounded choice on commodity destination
- Decision making process based on economic reasons



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