

Romania's Current Stance and Role in Regard to Energy Security and Gas Supply in SE Europe

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Priorities:

Finding alternative suppliers of gas

Working on gas interconnectors within the EU

Working on the Southern Gas Corridor

Finding alternative suppliers of gas

Shale Gas

Chevron's exit from Romania (announced February 20), and for that matter from all of Central and Eastern Europe, though **not a verdict** on the region's long-term potential in regard to shale gas, has clearly put **a damp on short and medium term hopes** of a domestic unconventional gas bonanza in the region.

On the **downside**, Chevron investing in the region would have been a blessing, because the Eastern part of the country, where Chevron operations took place, is in a very poor area with little chance of economic growth in the foreseeable future. It's also a loss for the country in general, since shale gas hopes even managed to seriously put the idea of Romania becoming a regional gas hub on the agenda.

On the **plus side**, this might be a very welcomed **wakeup call** for the Romanian government and politicians in general in regards to the conditions that international investments require (transparency, speedy resolution of problems, stability etc.). Moreover, it will hopefully **focus their attention** and efforts on the Black Sea offshore projects, where significant reserves are already proven. So if losing Chevron will cause them to focus more on what they can do to help the investments in the Black Sea (getting serious about building the pipeline infrastructure to transport the gas into the national gas network and from there onwards to exporting points; deciding upon a reliable, profitable, yet commercially-attractive royalties system for oil and gas companies), surely the experience will not have been in vain.

Offshore Black Sea natural gas deposits

Have been estimated so far between **42 and 84 bcm**

First volumes to come online in 2019/2020

New volumes are still being discovered, such as an estimated **20 bcm** of natural gas in the **Pelican South-1** drill which started exploration in October 2014 by ExxonMobil and OMV Petrom – the information is yet unconfirmed by the companies.

Mature gas fields

Both OMV Petrom and Romgaz are investing in redevelopment of mature gas fields – an estimated 120 bcm left, which could cover another 15 years of domestic demand at current levels.

There is need for hefty investments.

However, there is also reason for hope: OMV Petrom and Hunt Oil discovered in December 2014 a new deposit of crude oil and natural gas, which may be the biggest discovery of its kind in the past 30 years in southern Romania (Perimeter VIII Urziceni East, at a depth of 2,500 meters). The discovery is located some 7-12 kilometres away from mature deposits, operated for over 50 years (a potential production per well of 1,200-2,100 boe per day – worth approximately €41m year, at the current oil price, for a €5m total investment by the two companies).

Gas interconnectors within the EU



Vertical Corridor

Announced in December 2014 and discussed, February 9, during a Central East South Europe Gas Connectivity (CESEC) High-Level Group meeting in Sofia with the participation of Vice-President for Energy Union, Maroš Šefčovič and Commissioner for Climate Action & Energy Miguel Arias Cañete. (Representatives of Austria, Bulgaria, Croatia, Greece, Hungary, Italy, Romania, Slovenia and Slovakia were present. The meeting was focused largely on safety of regional gas supply and short term interconnection solutions). RO, BG and GR are to meet again at the end of March to discuss further steps. Hungary was also invited to join in February and is yet to announce its participation in the project.

Estimated to be completed by 2019

Capacity: 3-5 bcm

In the short-to-medium term, the gas could come from LNG arriving in Greece, Black Sea developments offshore Romania and Caspian gas from the Trans-Adriatic Pipeline (TAP)

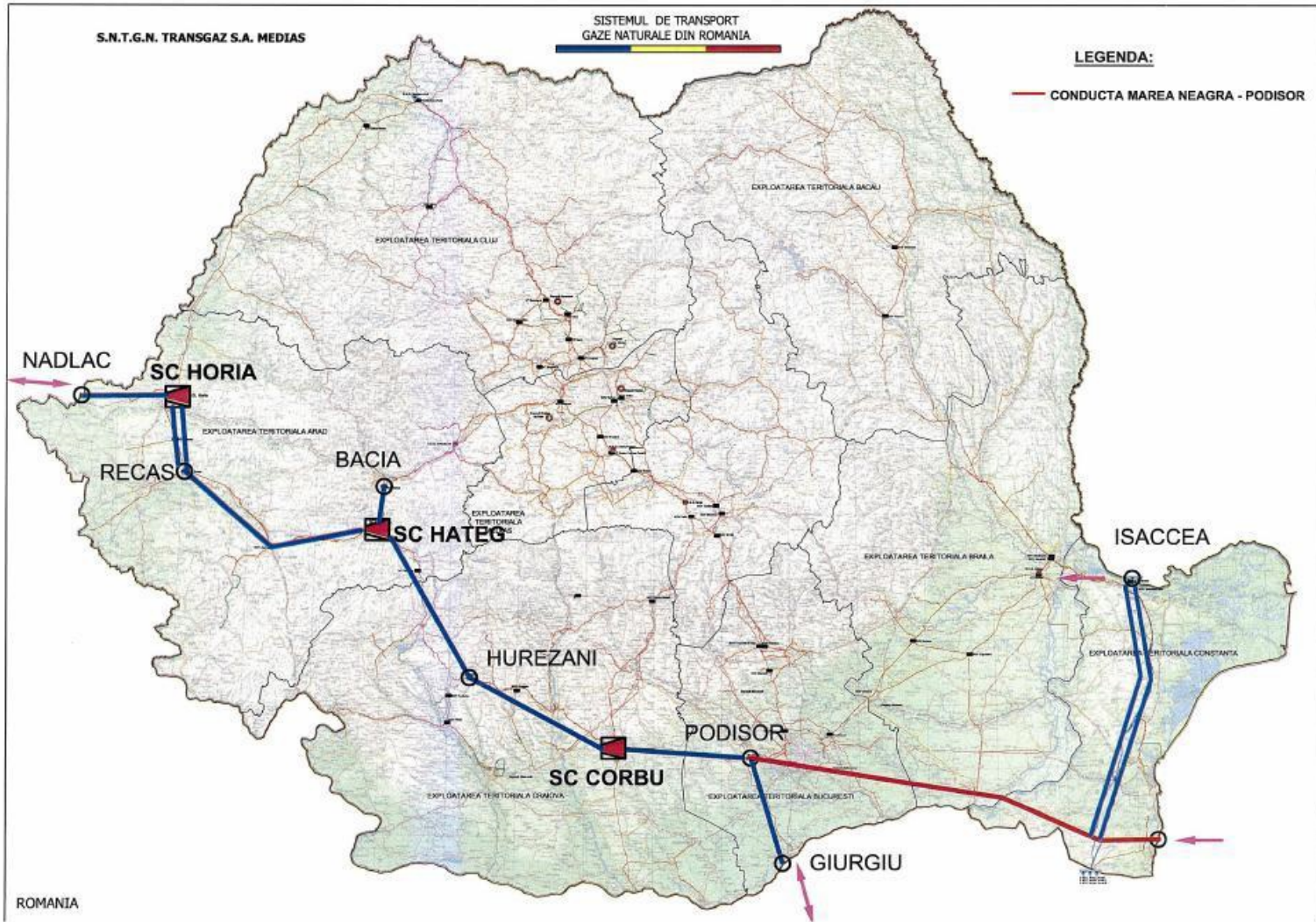
National TSO Transgaz plans a €500m investment at the beginning of 2016 for a 545 km **pipeline section between Giurgiu and Arad**, as part of the larger **Vertical Corridor**. Transgaz also plans to spend an extra €250m in order to build a 230 km extension of the **pipeline to Tuzla**, on the Black Sea Coast, in order to tap into the offshore volumes (to be finished by 2019/2020).

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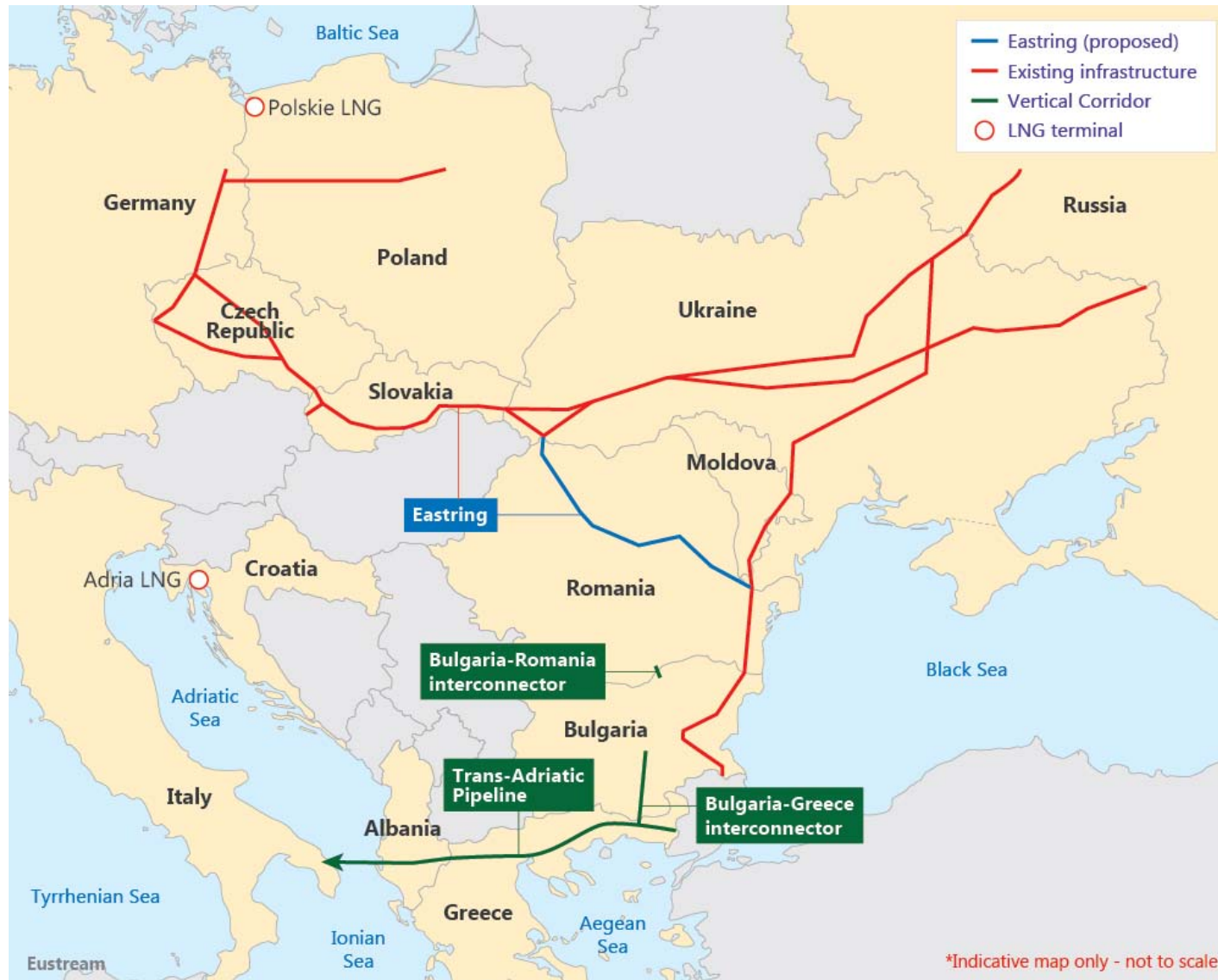
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Eastring

Proposed by the Slovakian TSO Eustream to connect existing gas infrastructure in Slovakia, Ukraine and Romania via a new reverse-flow 12.5 bcm-capacity, 570 km-long pipeline to bring gas from Western Europe to the Balkans. The estimated cost of €750m is 20 times lower than South Stream's, as the new proposal would use existent infrastructure and would not have to cross under any sea.

The pipeline would be upgradable to a 20 bcm capacity and would commence in the Slovakian eastern town of Veľké Kapušany to connect with existing infrastructure between the Soyuz networks to the Balkans. Eastring's main segment would lie inside Romania, connecting across the country two points of the Romanian-Ukrainian border, Isaccea and Medieșu Auri. Just like the previous pipeline, Eastring would serve as a transport conduit for Romanian Black Sea gas toward Central Europe.



Investment decision

An investment decision will be made according to financial and technical specifications, yet unknown.

Eastring is cheaper as it relies on existing infrastructure and only needs to build the Romanian segment between Isaccea and Mediesul Aurit.

But the Vertical Corridor could include Hungary and would allow gas to flow through the Arad-Szeged Interconnector. According to Transgaz plans, 4.4 bcm could be transported to Hungary through reverse flow on the Arad-Szeged interconnector as a result of investments to be made by 2019 – application for funding from the Connecting Euro Facility already submitted). Not including Hungary in such project would cause it to put its full support into tapping into Turkish Stream Russian gas through Greece, FYROM and Serbia, as announced by PM Orban.

Either way, Romania is a natural cohesion point between the North-South Corridor and the Southern Gas Corridor.

Best option would be for both pipelines to come online.

Other interconnectors

Romania-Bulgaria gas interconnector hit another rough patch just in January, when the current contractor Cala Târgu Mureş decided to exit the project as it does not have the necessary technical and financial capacity to complete the underwater segment of the project. Works were supposed to be completed at the end of 2014. A new deadline has not yet been set, with Transgaz now having to organize a new tender to find a fit contractor.

Romania-Serbia Interconnector: the proposed Mokrin-Arad gas interconnector, first discussed in 2002, is still in conceptual phase with actual steps toward its realization yet to be made.

Iasi-Ungheni Interconnector started delivering first volumes delivered this month, an extra €110-150 needed for the extension to Chisinau (depending on capacity: 1.5-2.2 bcm).

Southern Gas Corridor



Renewed efforts

New efforts behind energy cooperation with Central Asia are encouraging

Sefcovic: “We have learnt the lessons from Nabucco. This project failed because there was not enough political support. We simply believed that this project would happen just because of the business interests”

Romania can play a role, this time in terms of diplomacy, in regard to Azerbaijan and Turkey in light of the Strategic Partnerships it has with each of them.

Azerbaijan-Georgia-Romania Interconnector (AGRI)

In terms of actual volumes of gas, it remains to be seen what will come of AGRI, though at this point perspectives are rather bleak as the project is expensive and volumes are too small to make it competitive.

Representatives of the Azerbaijan-Georgia-Romania Interconnector (AGRI) announced the conclusions of the 2012-commissioned feasibility study for the project aiming to bring Caspian liquefied natural gas all the way to Hungary through Georgia and Romania, across the Black Sea.

Costs estimated at €5bn in 2011 for a 5-10 bcm capacity

An announcement on AGRI's next steps is expected at the beginning of this year.

Thank you!

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