www.enpg.ro
radu.dudau@enpg.ro
str. Buzesti 75-77,
011013, Bucuresti-1

Radu Dudau, PhD

Director

Romania's Strategic Options After Nabucco

1st IENE Energy and Geopolitics Roundtable

High Level Meeting, Sofia, March 19, 2014

The demise of Nabucco in June 2013 meant the failure of Romania's paramount project in foreign energy policy. At present, Bucharest has no participation in any large scale international energy project of serious odds – other than the uncertain LNG-based AGRI (Azerbaijan-Georgia-Romania Interconnector), which has no gas supply for the coming decade at least, and is forbiddingly expensive with present technology. As for the global LNG trade, as any other Black Sea Basin country, Romania s hindered by the traffic restrictions for LNG cargos through the Turkish straits.

Nonetheless, Romania has kept strategic options. Domestically, Government and international investors are actively involved in three major projects of developing new oil and gas sources:

First, O&G production can be increased through recovery enhancement in mature wells. OMV Petrom has started an extensive redevelopment program of oil fields that includes new wells and modernizing facilities. Besides, the company partnered with Repsol to develop deeper wells.

Second, in the Black Sea, ExxonMobil and OMV Petrom made a sizeable discovery (42 to 84 bcm) at Domino-1 well (1,000m deep). Other players in the Romanian offshore are Sterling Resources, Petroceltic, Lukoil, and state-owned Petrom. More exploratory wells are expected in 2014, which will bring more clarity about the commercial prospects of the Romanian offshore.

Third, the Government stands behind plans of shale gas developments. According to EIA (2013), Romania's technically recoverable shale gas resources are 1,610 bcm. More than a dozen oil and gas companies have got involved in operations related to shale gas. Most advanced are Chevron's operations, yet no investment decision in development and production is likely before 2020. In this direction, though, developments face staunch public opposition, mainly because of precarious information about the true risks related to hydraulic fracturing.

Externally, at the horizon of 2020, Romania for the first time has the prospect of diversifying its gas imports. A number of existing and prospective LNG regasification sites are within commercial reach in Greece, Croatia, and Poland. Thanks to increasing interconnectivity of natural gas grids in CEE, diversified supply will be able to reach the

Romanian market by 2020. The process is supported by market liberalization and integration, as well as by more flexible structure of the long-term acquisition contracts.

Recent developments in the Levant Basin open a new significant source of natural gas that is likely to hit the CEE markets by 2020 and possibly earlier. Both LNG and pipeline transport is under discussion – and the latter could inject new life into the Nabucco West project, in case a south-to-north trans-Anatolian conduit is agreed upon. Then, there is the Southern Gas Corridor in its actual configuration. Provided no delays occur in the development of Shah Deniz 2 and the necessary pipelines are built in due time, Azerbaijani gas could reach the Romanian market by 2020.

The ongoing Crimean crisis is certainly going to have geostrategic consequences. For one thing, South Stream will be reprioritized by Moscow – although DG Energy is not likely to be concessive on that front. Then, if a new Russian-Ukrainian gas standoff occurred, a more profound process of energy dependency reduction from Russia will be onset in CEE and Ukraine itself.

Romania is about 20% dependent on Russian gas imports, yet its power generation has been consistently in oversupply over the last three years. A shift in the domestic consumption structure from gas to electricity seems to make sense under the current circumstances.