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Mr. Teodor Meleșcanu, President of the Romanian Senate

Mrs. Vasilica-Viorica Dăncilă, Prime Minister of Romania

Mr. Marcel Ciolacu, President of the Romanian Chamber of Deputies

Mr. Dumitru Chiriță, President of National Regulatory Authority for Energy (ANRE)

12.09.2019

Subject: EFET statement regarding the proposed changes to the Electricity and Natural Gas law and the related implementing Ordinances.

The European Federation of Energy Traders (EFET) represents more than 100 energy trading companies, active in over 27 European countries, promoting 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.

EFET welcomes the opportunity to comment on the legislative change proposals in Romania that aim at repealing the changes implemented in late 2018 through the Romanian Government Emergency Ordinance no. 114/2018 (the Ordinance). As we have signaled before, these changes have impacted the market functioning, limiting the freedom to trade. We therefore gladly welcome the proposals to repeal some of the most intrusive and harmful measures that were implemented; the price cap, the supply obligations and the increased turnover tax. Below we reiterate our views on the detrimental impact of these measures on the Romanian gas market.

The existing obligation for producers on the territory of Romania to sell gas to domestic customers at a fixed price affects the entire gas market value chain. Producers are unable to compete and have limited incentive to expand their production. Traders struggle with finding a way to re-sell gas at a margin, since the underlying commodity price remains capped. At the same time foreign producers and suppliers selling into Romania are in a position, where the price they have to compete with is low and known upfront. There is also no market-based incentive to use storage facilities and balance the daily gas portfolio, as the domestically produced commodity price is indifferent to demand. Finally, the consumers see shrinking competition on the market that will act to their detriment as investments in new production sites are ceased and domestic supply shrinks. This, along with the new turnover contribution to ANRE placed on the market participants, will result in growing prices for end customers over time.

In view of the above, we fully support the proposal to repeal the price cap on gas along with the supply obligations immediately. Furthermore, we believe that in order for the Romanian gas market to recover, the obligation to trade on the centralized gas markets (further referred to as CMOs) also needs to be lifted from all the market participants altogether in order to ensure a level-playing field. These steps are critical in order to put the Romanian gas market back on track towards liquidity and compliance with the EU acquis. In this context, we would also like to reiterate that market transparency is already ensured under REMIT for OTC transactions and companies in Romania should be free to conduct their business activities freely.

In order to further foster the development of liquidity, if the Romanian authorities believe that some sort of mechanism is necessary in order to open the gas market for increased competition, we believe that this can be done in a much less distortive manner, such as standardized auctions for gas. The obligation to offer a share of their produced/contracted commodity in an auction could be placed on certain market participants based on their market share in a given year. Such measures have been successfully implemented in other Member States in order to support the development of competition and price discovery.

In general, EFET believes that, apart from repealing the distortive measures of 2018, greater stability of the regulatory environment is needed for the Romanian gas market to develop. Frequent and unpredictable Government interventions into the legal framework frustrates business activity and has a strong potential to frustrate investments.

We hope that you will find our comments helpful and we remain at your disposal should you wish to discuss them further.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Doug Wood', with a stylized flourish at the end.

Doug Wood,
Chairman of EFET Gas Committee