

1. NATIONAL PRESS

1.1. A. Electricity

Romania: Energy industry needs EUR 100 bln over the next 20 years

Present at the meeting that marked four years since the Property Fund's (Fondul Proprietatea) floating on the Bucharest Stock Exchange (BVB), Energy Minister Andrei Gerea pointed out that BVB has become an extremely valuable instrument for the capitalization of large energy companies in Romania. He argued that listing on the stock exchange significant percentages from the shares of Transgaz, Nuclearelectrica, Romgaz and Transelectrica has contributed to their financial consolidation and to the enhancement of their reputation among investors. At the same time, the presence of state-owned companies on the stock exchange has had special effects when it comes to implementing corporate governance and improving their capitalization.

Unfortunately, according to the Energy Minister, the companies that have signed up for listing on the stock exchange in 2015 are not ready. We are talking about the Oltenia Energy Center and Hidroelectrica. The former needs to finalize its restructuring process and to "clean up" its bad assets, while the latter is still insolvent. Moreover, Andrei Gerea stated that he plans to analyze the economic-financial state of these companies with the representatives of the International Monetary Fund too.

Gerea stated that the priorities for the Energy Ministry are to finalize the Energy Strategy 2015-2035, a document still open for public debate, and to restructure the companies that are part of the ministry's portfolio. The goal is to ensure all means necessary for "Romania's energy security." According to Gerea, from 2015 to 2035 the energy industry will need investments of approximately EUR 100 bln in order for the energy security goal to be attained.

AT Kearney proposes "strategic directions" in Romania's energy sector

The Bucharest press was insistently invited to attend the press conference where the Property Fund and AT Kearney were supposed to present the conclusions of the 'Romania Strategic Energy Market Outlook 2014-2025' report.

In fact, the "document" whose main protagonist was AT Kearney, represented by AT Kearney Partner Michael Weiss, turned out to be a listing of statistical comparisons and "indications" for Romanian energy sector authorities. The source of information is precisely this global advisor which informs us that it has offices in over 40 countries.

In essence, the AT Kearney report is pessimistic for Romania. We can read in its summary that by 2025 Romania will have limited growth in electricity demand, that the capacities currently in operation have inefficient costs, that no major changes are expected from the point of view of net energy exports, the latter set to remain in the ballpark of 3.3 TWh in 2025. Apart from that, the Cernavoda Nuclear Power Plant's two reactors (reactors 3 and 4) should no longer be built because they are not very efficient from a commercial standpoint.

Despite the fact that Romania has some of the most diversified resources for the production of electricity, Michael Weiss does not seem very satisfied. In Romania nuclear power is not really at home (meaning it is not very efficient), nor are the large hydropower plants, not to mention the use of coal. Although Romania has fulfilled a long time ago the Lisbon criterion concerning the renewable energy's share in the total resources used for electricity generation, Mr. Weiss is not very pleased. Compared to the EU's Eastern European members, some of them relying on a single source of energy (Poland for instance covers 90 per cent of its electricity needs from coal-burning power plants), we might say Romania is praiseworthy. No, Michael Weiss wants the Romanian consumer to support new investments in solar, wind and biomass power. And not any manner of investments: AT Kearney proposes to the Romanian authorities the development of new capacities in these types of energy by 2025 "while maintaining the current over-compensated support scheme."

In what concerns us, we hope the Romanian authorities will not lend their ear too much to such suggestions and will lower the level of financial support for investment projects in renewable energy. Because the money for foreign investors in this sector have to be paid by Romanian citizens who are already overburdened by taxes. Moreover, as we were saying, we have far more renewable energy than we need.

Mark Gitenstein: Building the 3rd and 4th reactors at Cernavoda n-plant makes less sense than a new gas pipeline from the Black Sea to Europe

Building the 3rd and 4th reactors at the nuclear power plant of Cernavoda (southeastern Romania) makes less sense than a new gas pipeline from the Black Sea to Europe, says former US ambassador Mark Gitenstein, now a member of the Representatives' Committee of the Proprietatea Fund (FP).

[Austria's Verbund Set To Halt Expansion In Romania](#)

After investments of EUR380 million in wind projects, Verbund will no longer expand in Romania, says Ovidiu Pop, general manager of Verbund Romania, the local subsidiary of Austria's biggest energy producer.

Pop believes that beyond the mammoth projects, such as reactors 3 and 4 of Cernavoda or Tarnita-Lapustesti hydropower station, involving overall investments of above EUR7.5 billion, Romania should also "lure" foreign capital with smaller projects.

Moreover, state-run companies, with significant cash, should be paving the way. "The question is if the Romanian state does not invest through cash rich companies, why should a foreign investor come", says Ovidiu Pop.

As Verbund's general manager, Pop says that for the time being the Austrian group's growth in Romania has been halted. Verbund, a group that mainly focuses on hydropower, is one of the most powerful investors in Romania's wind energy, beside CEZ, Enel or Energias de Portugal. The turbines installed by Verbund are located in the area of Casimcea locality of Tulcea.

"We, through the companies we control, own a capacity of 226.2 MW in Romania. In 2014, we installed nothing. We will not expand further."

The decision not to take wind power investments further comes as investors have witnessed several changes of the support scheme they relied on when they started their projects.

In late 2014, Verbund announced it would set up a EUR144m provision for anticipated losses in Romania.

According to the latest data provided by Transelectrica, the state-run power grid operator, there were over 3,200 MW installed in wind farms at the end of November 2014. Investments can be put at EUR4.8-5 billion.

[AT Kearney: Romania's energy consumption will increase by a maximum of 0,7%/y until 2025](#)

The path on which Romania treads in terms of building green-field large energy projects is wrong, according to a study by consulting company AT Kearney and Fondul Proprietatea (FP). If, however, investment in energy production is made, it is preferred to build small units and biomass-fired generation, more flexible and more efficient. On the other hand, the document proposes taking cost-effective measures and improvement of existing facilities, as projected energy demand by 2025 will be very limited.

According to the baseline scenario, the increase between 2013 – 2025 will not exceed 0.7%, while the alternative scenario forecasts an increase of only 0.2%, especially from sectors with low energy requirements, together with the residential sector. In 2025 Romania is expected to have 18.3 GW installed capacity, of which 9.9 GW certain available capacity, and an hourly consumption of 9.8 GW, including safety margin and net exports. There will be no extraordinary performance for exports; these will range around 3.3 TWh in 2025 so that excess production will not find markets abroad.

[Interview with Energy Minister Andrei Gerea: Energy independence yet to be secured for Romania \(I\)](#)

The energy mix is balanced however competitiveness is held by green energy installations * If explorations in the natural gas sector are successful then we could talk about the fact that Romania has become an energy independent country

What is the structure of electricity production in Romania and how do you deem the current energy mix from the point of view of its competitiveness?

In 2014 the structure of electricity production was the following: hydropower 29.3 per cent, coal 28 per cent, nuclear 18 per cent, hydrocarbons 12 per cent, wind power 9.4 per cent, solar power and biomass 3.3 per cent.

In each economic sub-sector operators have exerted energy efficiency efforts. Currently, compared to the way primary resources are processed in EU countries, we note the highest efficiency in the case of wind power plants, solar power plants and biomass plants, since they benefit from modern technology and the green certificates support scheme. In the case of classical energy, competitiveness is low, the main cause being the outdated technology park that is currently in process of modernization. In what concerns the nuclear domain, we are facing a high need for capital in the construction period, although the long-term competitive benefits are indisputable.

In what concerns the energy mix, the competitiveness of the sector in Romania is affected by the single-colour structuring of electricity producers based on types of resources. They cannot enter real competition, the cost of the resource, the processing technologies and the efficiency of resource processing not being compatible.

Currently the installed capacity of the Romanian energy sector surpasses 20,000 MW, of which over 4,000 MW from new renewable energy on the Romanian market (wind and solar). Over 10-15 TWh of the internal production of electricity represent surplus. Can it be said that Romania has reached the stage of “energy independence”?

At this moment we cannot claim that Romania has reached the stage of “energy independence,” however we can state that the National Electroenergy System is working in conditions of safety and stability and has answered well, each time, the perturbing events that have appeared (low water level in hydropower dams, low temperatures over extended periods, cuts in natural gas imports etc.)

As known, the National Electroenergy System is working interlinked with the European Network of Transmission System Operators for Electricity (ENTSO-E), respecting its regulations and norms. If natural gas explorations are successful we could then talk about the fact that Romania has become an energy independent country.

[Interview with Energy Minister Andrei Gerea: Energy independence yet to be secured for Romania \(II\)](#)

[Business](#) | [Constantin.Radut](#) | January 30th, 2015 at 9:00 PM

Coal is and will remain one of the main sources of electricity *In 2014 Romania exported almost four times as much energy as it exported in 2013 * The 400-kV line between Romania and Serbia will be completed this year

Can you forecast a positive outlook for energy obtained from locally-produced coal?

Starting off from the European goals in the energy and environment protection domains for the upcoming period, in drafting Romania’s energy strategy our institution has conducted preliminary analyses in what concerns the energy mix for the next two decades. Coal was, is and will remain one of Romania’s important internal energy resources. The energy mix scenarios studied in the preliminary analysis foresee for coal, in 2035, a share of approximately 20 per cent in the production of electricity. In 2013 the share of coal in the production of electricity was 31 per cent and in 2014 it stood at 28 per cent.

At the same time, we want to emphasize that the goals of the Romanian energy sector are in line with the energy and environment goals set at European level, namely: ensuring the security of the supply of electricity and heating by diversifying the sources of production, enhancing economic competitiveness and lowering the impact on the environment. In this context, there are two vectors that can decisively influence the analyses conducted so far, namely:

- The medium and long-term forecast on the consumption of electricity, which will come as a result of the completion of Romania’s energy strategy (which is currently in process of being drafted). This forecast will outline the scenarios for the development of the energy production subsector, in order to cover the consumption of electricity;

- The European Council has recently adopted as a mandatory goal for member states the lowering of internal greenhouse gas emissions by at least 40 per cent by 2030 compared to 1990. The goal will be attained collectively by the EU in the most cost-effective way possible, with cuts in the ETS and non-ETS sectors that would see them reaching 43 per cent and 30 per cent respectively in 2030 as compared to 2005.

In this context, in Romania's energy mix coal will have an important role to the extent in which the companies that produce energy from coal will make the necessary and mandatory environment protection investments in order for Romania to attain its targets in what concerns the lowering of greenhouse gas emissions.

How can Romania export its surplus of electricity and where can it export it to? Through what channels/interlink systems?

By how much increased the gas prices for non-household customers from January 1, 2015?

The gas market liberalization for non-household customers from 1 January 2015 determined the gas suppliers to increase the price of gas by an average of about 1.42%, respectively about 2.2 lei per each MWh consumed. The free market can determine the right price for natural gas only if the client has the necessary knowledge, is good and properly informed and not under pressure from suppliers.

After analyzing the offers submitted by some of the suppliers of natural gas to non-household customers, with whom they had a contract for the supply of natural gas in the regulated segment until December 31, 2014, we can determine the behavior of these suppliers.

It is important to expose that in November 2014, ANRE set the regulated prices for non-residential customers, actually the selling price for these gas suppliers. Keeping in mind that between December 2014 – January 2015 there were no significant changes in the cost structure of suppliers, gas price from 1 January 2015 for non-residential customers should have been less than or equal to the price of gas in December 2014 .

This is confirmed by the practice of some providers, who have offered lower prices, and by providers that under the pressure of negotiations with informed customers and assisted by consultants, contracted quantities at prices below the price practiced in December 2014. The table below highlights that most providers have offered an average price (B1, B2, B3, B4) higher than the regulated price of gas with which they sold gas until 31 December 2014.

The chart of average price increase for gas offered to non-household consumers from January 1, 2015.

2. Useful information ANRE, Transelectrica, OPCOM

OPCOM

- Prices recorded on DAM

Prices and volumes	01.01	02.01	03.01	04.01	05.01	06.01	07.01
Average price [Lei/MWh]	148,36	178,78	168,50	180,98	200,16	186,92	201,45
Balancing Market price	598,36	628,78	618,50	630,98	650,16	636,92	651,45
(450 Lei +price PZU)	58.158	57.343	62.766	58.188	69.605	78.068	73.449

Prices and volumes	08.01	09.01	10.01	11.01	12.01	13.01	14.01
Average price [Lei/MWh]	265,48	194,92	170,09	136,78	174,30	206,98	213,63
Balancing Market price	715,48	644,92	620,09	586,78	624,30	656,98	663,63
(450 Lei +price PZU)	66.632	72.379	63.057	55.753	77.063	81.275	80.093

Prices and volumes	15.01	16.01	17.01	18.01	19.01	20.01	21.01
Average price [Lei/MWh]	206,54	194,93	149,25	142,82	214,26	205,05	203,43
Balancing Market price	656,54	644,93	599,25	592,82	664,26	655,05	653,43
(450 Lei +price PZU)	80.340	81.728	63.447	57.247	75.980	83.255	84.125

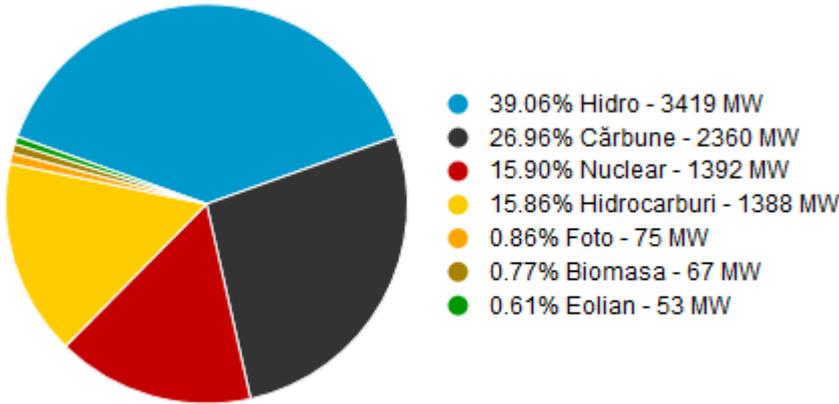
Prices and volumes	22.01	23.01	24.01	25.01	26.01	27.01	28.01
Average price [Lei/MWh]	189,14	131,28	113,59	135,15	190,27	214,22	189,30
Balancing Market price	639,14	581,28	563,59	585,15	640,27	664,22	639,30
(450 Lei +price PZU)	82.951	75.885	65.184	64.021	77.440	83.709	77.034

Prices and volumes	29.01	30.01	31.01	01.02	02.02
Average price [Lei/MWh]	195,15	103,08	98,18	132,77	185,42
Balancing Market price	645,15	553,08	548,18	582,77	635,42
(450 Lei +price PZU)	75.442	73.075	63.835	55.601	73.881

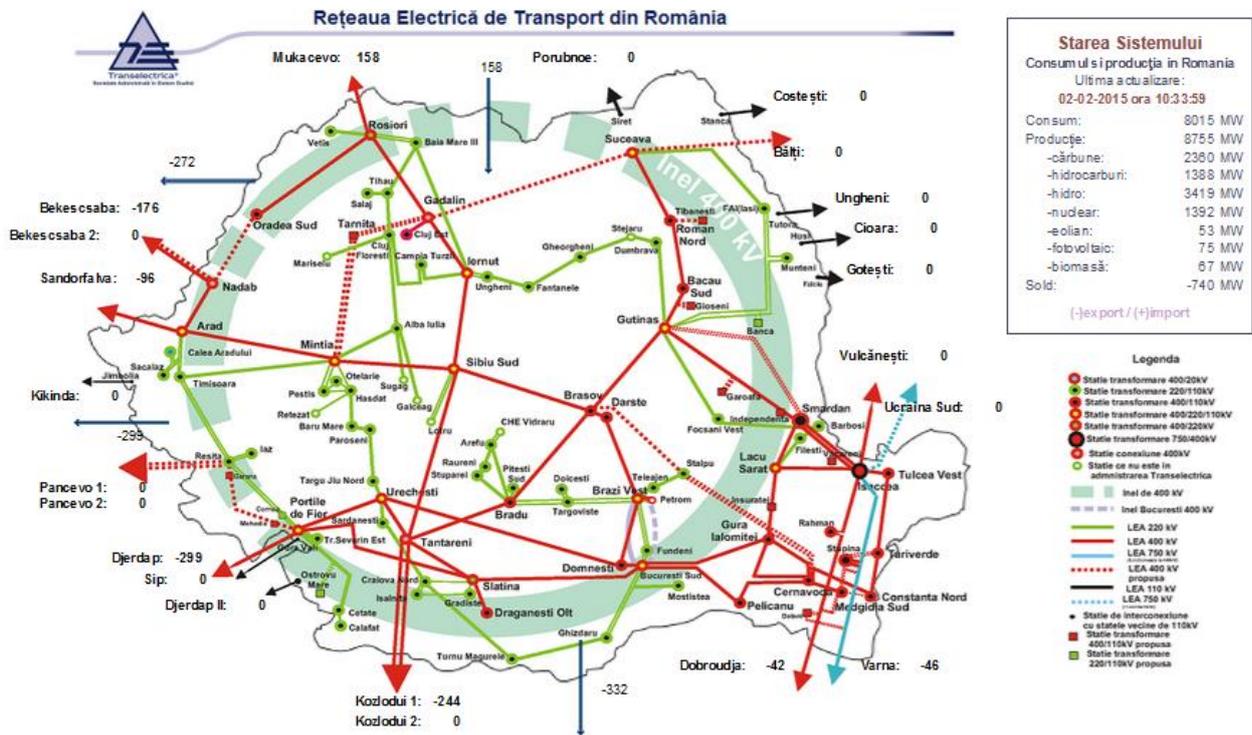
	ROPEX_FM_M						Piete la termen (PCCB) 2014-2015 [lei/MWh]						
	ian	feb	mar	apr	mai	iun	iul	aug	sep	oct	nov	dec	
ROPEX_FM_2014	176,58	178,17	177,92	177,75	176,84	175,72	175,40	177,48	176,58	176,63	176,24	175,45	175,59
ROPEX_FM_2015	169,32	170,81	170,32	170,21	168,63	167,93	168,21	168,97	168,49	169,09	169,00	168,97	169,20

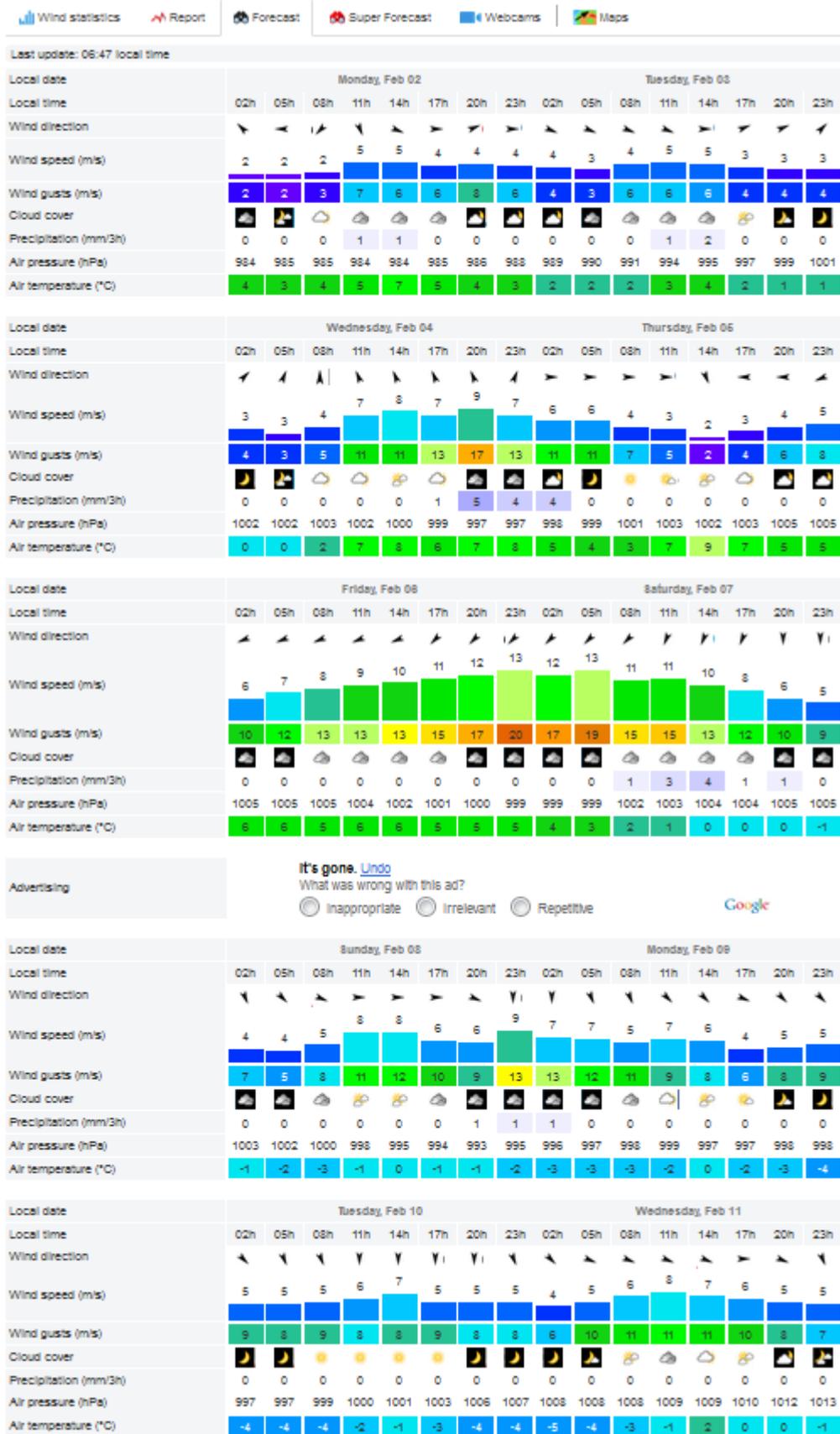
TRANSELECTRICA

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Total 8755 MW - Productia in 02-02-2015 ora 10:33:32





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