



# Briefing

19 December 2018

## Chaos on the Romanian energy market - proposed return to regulated prices and new taxes in the electricity and gas sectors

On 18 December 2018 the Ministry of Public Finances published a draft Emergency Government Ordinance proposing, inter alia, the return to regulated prices and new taxes in the electricity and gas sectors in Romania ("Draft EGO"), as summarized below.

### Main changes proposed in the power sector:

- Companies active in the electricity and heating sector will be charged with a tax of 3% of the annual turnover - as opposed to the current percentage of 0.1%.
- Monopoly tax applicable to electricity transmission and distribution systems operators is extended until 31 December 2021.
- After being fully liberalized in January 2018, the electricity market for supply to household consumers will once again be regulated for the period 1 March 2019 – 28 February 2022, namely the tariffs applicable by the suppliers of last resort for household consumers will be determined and approved by the National Agency for Energy Regulation ("NAER").
- Moreover, for the period 1 March 2019 – 28 February 2022, electricity producers will have the obligation to sell (at regulated prices) to the suppliers of last resort, the quantity of electricity necessary to cover the consumption of household consumers (for which regulated tariffs will apply). The producers will still have to sell remaining electricity on OPCOM centralized markets. Breach of these provisions by producers will be sanctioned with fines of 10% of the annual turnover.

### Main changes proposed in the gas sector:

- Monopoly tax applicable to gas transmission and distribution systems operators is extended until 31 December 2021.
- For the period 1 April 2019 – 28 February 2022, gas producers which carry out exploitation and sale of natural gas extracted on the Romanian territory will have the obligation to sell at a price of RON 68 (approx. EUR 15) / MWh domestic gas to the suppliers and eligible end customers. During this period, the producer has the obligation to sell with priority to suppliers, under regulated conditions set out by NAER, to ensure that the entire consumption of household consumers is covered by current production and/or from storage facilities. Breach by producers of the obligation regarding the sale price is sanctioned with fine of 10% of the annual turnover.
- Moreover, the Draft EGO stipulates that gas producers and their affiliates will not be allowed to enter into contracts for sale of gas with delivery on the Romanian market for prices in excess of Ron 68 (approx. EUR 15) / MWh.
- Even though the gas producers will have to sell gas at the regulated price of RON 68 (approx. EUR 15) / MWh, they will have to pay the gas royalty calculated based on a formula that takes into account the quotation of gas at Baumgarten hub (Vienna, Austria) - this quotation is currently at EUR 24 / MWh (approx. 60% higher than the proposed regulated selling price in Romania).
- For the period 1 April 2019 – 28 February 2022, NAER will establish a specific structure of import / domestic gas mix for the quantity of natural gas necessary to cover the consumption of non-household end consumers.
- Household consumers that have exercised their eligibility right will have the right to revert to being captive consumers.



The intention, as announced by the Minister of Finance, is to have the Draft EGO discussed and approved by the Government by the end of this year, with entry into force in the beginning of 2019.

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