

ROMANIAN RENEWABLE ENERGY SUMMIT 2022



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- Price evolution
- GEO 119/2022 - impact on market participants
- GEO 119/2022 - visible effects
- Romania and regulatory risk
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ROMANIAN ENERGY SUPPLIER'S ASSOCIATION



- “Voice” of Romanian energy suppliers;

Power - from 2006

37 members

Member's clients portfolio cover around 90% Romanian consumption



Natural Gas - from 2020

15 members

Member's clients portfolio cover 65% Romanian consumption



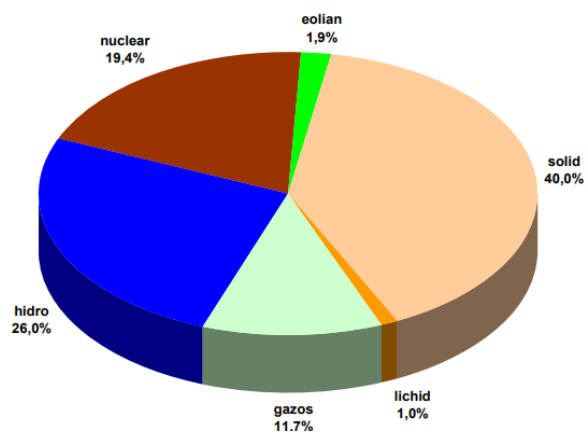
- Other AFEER activities
 - Annual conference AFEER
 - Energy fair
 - AFEER Academy



Romania – Power overview

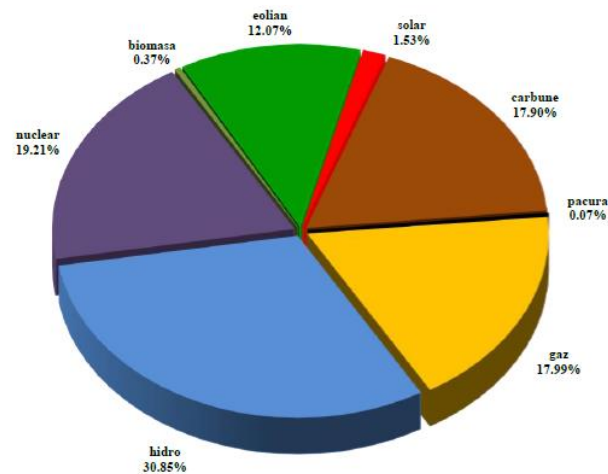
2011

- ▶ Production 60.4 TWh
 - ▶ Coal 40%
 - ▶ Gas 11.7%
 - ▶ Mazout 1%
 - ▶ Nuclear 19.4%
 - ▶ Hydro 26%
 - ▶ Wind 1.9%
- ▶ Consumption 53.7 TWh
- ▶ Export 1.9 TWh



2021

- ▶ Production 57.05 TWh
 - ▶ Coal 17.9%
 - ▶ Gas 18%
 - ▶ Mazout 0.07%
 - ▶ Nuclear 19.2%
 - ▶ Hydro 30.8%
 - ▶ Wind,Solar,Biomass 13.9%
- ▶ Consumption 56.22 TWh
- ▶ Import 2.19 TWh



2022

- ▶ Production
 - ▶ Coal
 - ▶ Mintia closed (900MW)
 - ▶ Gas
 - ▶ Iernut still unavailable
 - ▶ fuel production decrease + uncertain imports
- ▶ Consumption 59.2 TWh (TSO fcst)
- ▶ Extra's
 - ▶ Ambitious decarbonisation plan
 - ▶ Interconnexion with UA + MD
 - ▶ Geopolitical situation

Price evolution - Power - Germany - 2023

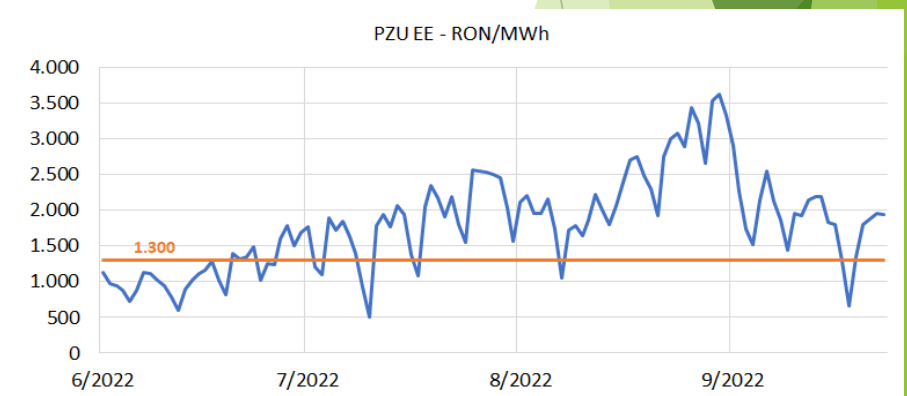


Price evolution - Gas - TTF - 2023



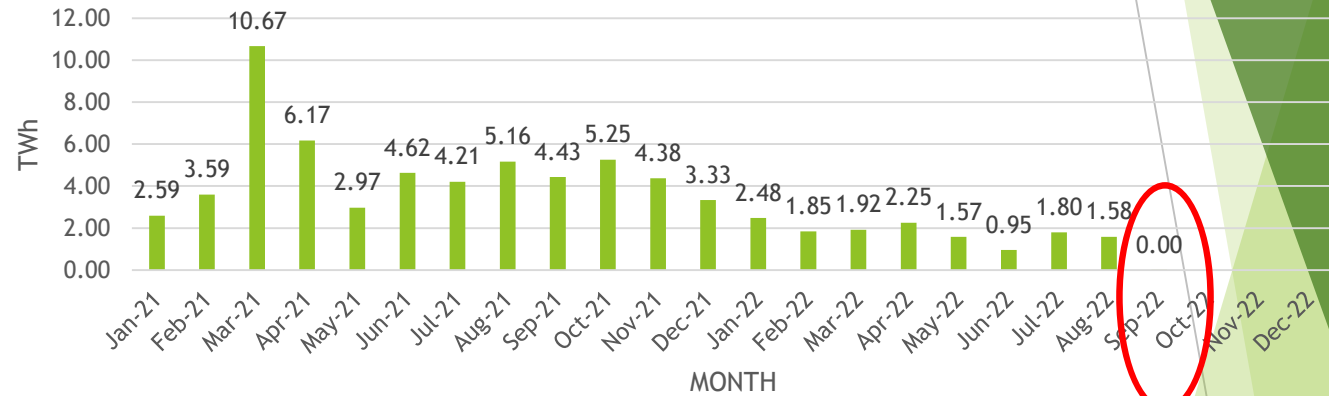
GEO 119 - Impact on market participants

- **Production**
 - Increased tax and artificial losses due to financial hedging
 - Obligation to sell outside organised markets
- **Trading**
 - Retroactivity application
 - Tax on gross margin, not profit - not consideration costs (technical, financial, hedge, etc.)
 - Tax on import/export - commercial ban
- **Supply**
 - Cap settlement price - 1300 RON/MWh below market
 - Need development of IT platforms in order to include legislative changes
- **Consumption**
 - Consumers excepted from state aid scheme
 - Unclear provisions, creating ambiguity

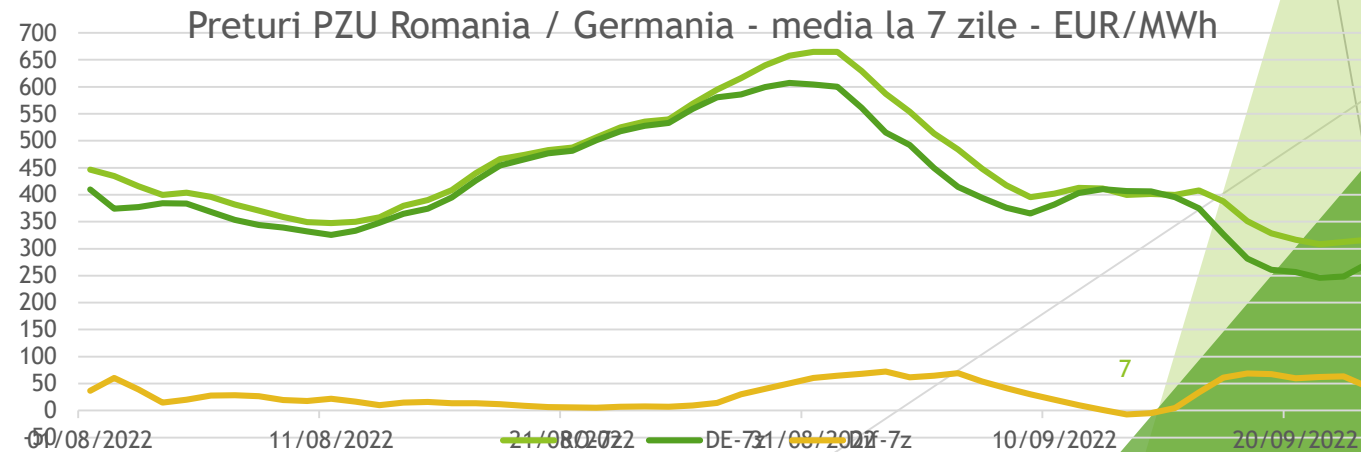


GEO 119 - Effects already present

- Suppliers avoid prolongation of retail contracts or acquiring new clients consumers
- Market liquidity dropped to 0
 - from 1st September almost no forward deals on Opcom / BRM
 - No reference price
 - No energy in forward market



- Increase of RO-DE spread
 - 21 EUR/MWh in Aug
 - 44 EUR/MWh in Sep





LONDON (ICIS)—A 98% tax on gas and electricity trading companies' net revenues in Romania could lead energy markets to collapse and imperil security of supply in the country this winter, traders said. Multiple traders interviewed by ICIS said the measures were so punitive that non-resident companies will pack up and leave the market while local companies will be bracing for a chain of bankruptcies and court cases just as the country is preparing for a difficult winter. Under latest amendments to an earlier emergency ordinance announced on Thursday, the government introduced a 98% tax on gas and electricity trading companies' net revenues.



Romanian utilities warn new energy support scheme risks jamming markets

2 minute read · September 2, 2022 11:00 PM GMT+2 · Last Updated a month ago



Reuters

TAXES
Revenues from the tax would support energy transition costs and all trading companies. The vice-president of the ruling Liberal National Party (PNL) government warning that the latest measures would lead to a chain of bankruptcies and court cases just as the country is preparing for a difficult winter. Under latest amendments to an earlier emergency ordinance announced on Thursday, the government introduced a 98% tax on gas and electricity trading companies' net revenues. The one-year tax entered in force on 1 September and will apply to the net revenues of electricity trading companies. With regards to electricity producers, the government also raised the one-year tax to 450.00/MWh (€93.00/MWh) and the actual price at which they sell electricity to end consumers, they would not be compensated. The difference between the price paid by end consumers and the actual price at which they sell electricity to end consumers, they would not be compensated. The difference between the price paid by end consumers and the actual price at which they sell electricity to end consumers, they would not be compensated. The difference between the price paid by end consumers and the actual price at which they sell electricity to end consumers, they would not be compensated.



Romanian Industry Faces Energy Limbo as Aid Seen to Fall Short

Engaged in speculative trading, meaning natural gas prices and electricity volumes change hands several times a day, with collaterals amounting to the value of the gas contracts. Romania's proposed windfall tax on electricity has a major design flaw: it is retroactive and applies to all traders, many of whom are now at risk of bankruptcy, writes Janez Kopač. As such, it is in breach of EU law and risks triggering a dangerous domino effect on the EU's electricity market, he warns.

EURACTIV
Agrifood Economy & Jobs Energy & Environment The Capitals Global Europe
How Romania's 'windfall tax' risks unravelling market
Agrifood Economy & Jobs Energy & Environment The Capitals Global Europe
DISCLAIMER: All opinions in this column reflect the views of the author(s), not necessarily those of EURACTIV.



Traders across Europe are alarmed, writes Janez Kopač. "Romania is an important part of the single market and non-delivery could have serious consequences for traders throughout the EU," he says. [Dean Drabot / Shutterstock]

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Romania to Tax Windfall Profits of Energy Companies
Aug. 30, 2022, 4:54 PM
Romania is set to become the latest European country to tax windfall profits of energy companies, a governing party official said Tuesday.
Jan Stojaspal
Freelance Correspondent

Romania and regulatory risk

- 2012
 - Implementation of Energy law 123/2012
 - Ban of bilateral negotiated transactions
 - Stop of investments
- 2018
 - GEO 114/2018
 - 2% turnover contribution
 - Reintroduction of regulated market
- Nov 2021
 - GEO 118/2021 - valid nov21-mar22... aug23
 - Claw back tax for producers
 - 80% of sales above 450RON/MWh
- Sep 2022
 - GEO 119/2022 - valid sep22-aug23
 - Increase producers taxation
 - 100% of sales above 450RON/MWh
 - Tax for all transactions

- 2011 - Green certificate scheme
- 2013
 - Reduce validity
 - Deferral from apr17
- Apr 2017
 - Prolonged validity
 - Deferral from jan21

“Risk comes from not knowing what you’re doing.”
Warren Buffet

“Wherever there is danger, there lurks opportunity; wherever there is opportunity, there lurks danger. The two are inseparable.”

Earl Nightingale

Renewable investment - Romania

Strengths

- existing old projects in different stages of execution
- local knowhow
 - skilled labor forces due to previous investment boom
- balanced production mix

Opportunities

- Political and government support due to high targets:
 - National Plan in the field of Energy and Climate Change – 3.7 GW SPP until 2030
 - European Fit-for-55 package – additional 6 GW SPP until 2030
- Government funds for renewable industry:
 - National Recovery and Resilience Plan
 - 460 mil EUR for 950MW RES – 2024
 - Modernisation fund
 - 15 bio EUR – 2030

Weaknesses

- limited grid connection approval on zones
 - TSO published 4410 MW RES availability in South RO
- difficult to obtain building permit
 - need approvals from many authorities –time consuming - 10m

Threats

- Imprevisibile change of regulation
 - Renewable law 220/2008 changed 2012,2013,2014...
 - GC scheme introduced 2011 changed 2013, 2017...
 - GEO 118/2021 changed 6 times
- PPA
 - lack of market liquidity
 - Price volatility
- Balancing
 - 15min imbalance calculation
 - Pricing from -300 to +5500 RON/MWh

Thank you

Laurentiu Urluescu