

Corporate INTL

corporate international

EuréseaU

Creating a global horizon



Primerus



UHY International

Corporate INTL Magazine
can now be read in its entirety online
Please visit www.emag.corp-intl.com for
more information on our FREE e-mag

Oil & Gas in Romania

Redefining the Oil & Gas Industry in Romania

The Romanian natural gas and energy sectors have undergone significant changes in recent years, involving the privatisation of certain main operators and the implementation of EU guidelines designed to harmonise the Romanian legal and regulatory environment with those of the EU.

The oil & gas industry should be seen as one of the best examples of globalisation and expansion of 'international' companies into overseas markets, especially in the Black Sea – Caspian region. Players have either entered the market by acquiring State-owned companies that have been privatised or privately held entities, formed joint-ventures with local operators – especially in the exploration business – or invested in green fields operations. Hence the continuing efforts to harmonise the relevant regulations specific to the oil & gas industry, which are already showing positive results in terms of clarity, functionality and even predictability.

This ongoing process of major transformation has resulted in a complex range of background issues raised by the required privatisation of the main operators, in terms of concessions, clarification on property rights over network related assets, pipeline interconnection agreements, structured financing, trading strategies, ongoing regulation and operational strategies.

Partner at the firm Vilau & Mitel, Mr Dragoș M. Vilau, said there is a growing activity and interest in the sector, from green-field investments to acquisitions of existing businesses and an increased interest in the petrochemical business.

Vilau & Mitel has expertise in energy, natural resources & utilities ranging from assisting the major foreign corporations actively engaged in various fields of business (including oil & gas fields) in their acquisitions in Romania of the Romanian refineries and factories to providing them with advice on day-to-day activities across complementary practice areas.

Mr Vilau offered his expertise and revealed that there has been a great amount of interest in the Black Sea – Caspian region. "It is, indeed, a hot topic in the industry from current projects that include new terminals and storage facilities to proposed oil & gas transportation projects," he said.

According to Mr Vilau, an increasing amount of experts are noticing the potential of the Black Sea region in terms of supplying Europe and other markets with oil. It is also widely acknowledged that the current focus is still on the Black Sea region as a hub for energy transit.

Mr Vilau added: "There is also a large amount of interest in Romania's involvement in the Nabucco project. The Nabucco project could provide Romania the opportunity to become an energy independent country within the region. The potential of non-traditional sources like gas hydrates is also being recognised, but the main obstacle is, of course, to turn it into a large-scale investment."

The ending of the privatisation process of most of the State-owned companies, combined with the recent acquisition by some major players in the industry have redefined the oil & gas market in Romania as well as the rules of the game. The harmonisation with the EU specific regulations have spurred these changes, and provided more clarity in terms of further opening the market.

The firm Vilau & Mitel recently represented two EU investors in their venture to acquire the majority stake of one of the top refineries in Romania, which was on the verge of bankruptcy. Following the acquisition process and the performance of a complex debt-equity swap, the refinery managed to pay all its past dues to the Romanian State and restart its operations.

Another significant development in the industry is the finalisation of the 52 year old dispute with Ukraine on the property rights over the continental shelf and the exclusive economic zones of the Black Sea and the gas and oil



Vilau & Mitel
Dragoș M. Vilau
dragoș.vilau@vilaumitel.ro

resources therein, through the International Court of Justice judgment of February 3, 2009.

The judgment potentially increased Romania's access to reserves and some important players have already begun to invest.

Mr Vilau reported that the firm has seen a growth activity in the industry in terms of the development and expansion of existing projects under way (oil terminal, gas storage facilities) as well as new projects.

The current economic issues have made companies operating in the Romanian market reconsider their plans for proposed projects in terms of financing and Vilau & Mitel are assisting several players seeking to benefit from state aid, either by accessing structural funds or even financing which is secured with sovereign guarantees.

"The ending of the privatisation process of most of the State-owned companies, combined with the recent acquisition by some major players in the industry have redefined the oil & gas market in Romania as well as the rules of the game."