

**New Strategy Center
Energy Security in the Black Sea Region. Challenges and opportunities.**

**Myths
of the Romanian energy sector**

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Romanian Context

- Development of Black Sea upstream stalled
- Precarious development status of interconnectors
- 3 ZEROS - 0 exports, 0 trade, 0 brokerage
- Growing incapacity to satisfy domestic demand
- Energy market liberalization-one step forward two steps back
- Energy establishment – portrait of Dorian Grey
- Energy transition by voucher and bowl - instead of network development, digitalization, renewables, storage, and energy efficiency
- The Bruxelles enemy
- The white elephant hypnosis

MYTHS – cultural and psychological (psychotic) stereotypes

- 1. “Mother of God’s Garden”**
- 2. The necessary enemy**
- 3. Supremacy of Romanian capitalist (orthodox) business**
- 4. The Sun, the moon and the strategic and secret Romania**
- 5. The Savior State - Regulator, Owner, Beneficiary**

Mother of God's Garden and statistics

Rule of law index (-2.5 weak; 2.5 strong), 2017, the World Bank

Romania 0.39 – position 66 out of 193

Government effectiveness index (-2.5 weak; 2.5 strong), 2017, the World Bank

Romania -0,17 – position 102 out of 193

Regulatory quality index (-2.5 weak; 2.5 strong), 2017, the World Bank

Romania 0.49 – position 54 out of 193

Political stability index (-2.5 weak; 2.5 strong), 2017, the World Bank

Romania 0.06 – position 95 out of 195

Energy use per capita, 2014, the World Bank

Romania – position 66 out of 132

Competitiveness – World Economic Forum index (1-7), 2017

Romania: rank 68 (out of 137), index 4.28

The legal dimension

Legal instability

Domestic effects

- Institutional weakness
- Loss of confidence & investment attractiveness
- Loss of government revenues
- Administrative & economic capacity limitation – obsolescence bargain – more legal instability
- Competition distortion/poor governance/market disruption & volatility/contract instability (e.g. offshore law tax on 0 revenue!)
- Higher risk related costs (higher prices, lower margins, lower investment rates) – social unrest

External effects

- Geopolitical vulnerability & reputation loss
- Trade & debt financing loss (“Material Adverse Effect”)
- Infrastructure & connectivity
- Foreign investment & capital and labor migration

The Legal Dimension

Challenges

- Legal instability & populism
- Checks & balances
- No strategy, no responsibility
- Lack of transparency
- What is “national interest/national energy security”? Who defines it (politicians, intelligence community, specific persons)?
- Awareness & education of government corps
- Politics vs market rules and rule of law
- Government take vs economic balance

MISSED OPPORTUNITIES

SOLUTION?

CHANGE!

“Change will not come if we wait for some other person or some other time. We are the ones we have been waiting for. We are the change that we seek.”

Barak Obama

THANK YOU!

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