

Romania unblocks shale gas exploration

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In recent weeks the Romanian government sent signals announcing changes in its approach to the exploration and extraction of unconventional gas deposits. Prime Minister Victor Ponta has begun to talk in positive terms about shale gas in the press and in his government's agenda—the exploration for shale gas deposits has been recognised as a priority of energy policy. The ruling Social Liberal Union (USL) has not either returned to the idea of a moratorium on the exploration for shale gas which it declared on coming to power in May 2012, nor did it decide to prolong the moratorium after it expired in December.

Preparations for explorations have also been resumed. Towards the end of January the Vaslui (north-eastern Romania) local government granted a license to the American company Chevron, enabling it to begin work in the area covered by its licence. The Vaslui local government had thus far refused to grant administrative permits to Chevron, explaining that it was because there was a moratorium in force. Besides Chevron more than ten other companies which have licenses for exploring for hydrocarbons in Romania, including Romgaz, MOL, East-West Petroleum and Zeta Petroleum, have expressed their interest in shale gas.

Commentary

- The discussion within USL about whether the moratorium was well-founded began immediately after it was declared since the parliamentary majority did not decide to introduce the moratorium into legislation (it came into force *de facto*, not *de iure*). The withdrawal from the moratorium was postponed until the parliamentary election in December 2012 as the USL's objective was to obtain a constitutional majority in parliament. It therefore avoided raising controversial issues in the public sphere. The willingness to improve relations with the US may also have had an impact on the change in the government's position to shale gas. These relations became tense due to the crisis over the president's impeachment in summer 2012 (the US criticised the Ponta government for a controversial attempt to remove the president from power). The active involvement of representatives of the mining industry was probably an additional factor—these started appearing in the media with positive statements about shale gas immediately after the introduction of the moratorium.

- The shift in the government's position on shale gas also results from the low level of interest which society expresses in this issue and a growing lobbying from energy companies for the exploration and extraction of unconventional gas deposits. Local referendums held in parallel with the parliamentary election in the districts where demonstrations against shale gas exploration were organised turned out to be a failure due to poor turnout.
- Despite the government's declarations as to the priority importance of shale gas, it should not be expected that investors will now suddenly be arriving in the country in droves. Romania still does not have reliable estimates of the volume of the deposits and the regulations in force are seen as being insufficiently transparent, and unstable. Furthermore, the Ponta government introduced additional taxes for the energy industry from the beginning of February, including increased taxes for gas producers. The government has also announced a review of the conditions of the exploration and extraction licenses, which has led to uncertainty among investors. Romania's return to shale gas is important political signal as it is the second country after the UK which has shed its initial doubts over shale gas.