



European Federation
of Energy Traders
SO YOU CAN RELY ON THE MARKET

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2 May 2017

Subject: OUG 64/2016 – Modification and completion of Energy and Natural Gas Law 123/2012

Dear Sir or Madam,

The European Federation of Energy Traders (EFET) promotes competition, transparency and open access in the European energy sector. We build trust in power and gas markets across Europe, so that they may underpin a sustainable and secure energy supply and a competitive economy. We currently represent more than 100 energy trading companies, active in over 27 European countries. As such, we carefully scrutinize all developments in the internal energy market and we pay special attention to those national markets more in need of structural reforms.

With this hindsight we have, for instance, applauded the deregulation as of April 1st 2017 of the natural gas production price for households and heat for households.

This will represent an important step towards building a well-functioning market. Nonetheless, we are now worried about the amendments recently circulated by the Parliamentary Commission for Industry and Services on April 21st, 2017. In our mind these changes do not reflect the spirit or the content of EU energy market rules and regulations and if they were to be approved, the Romanian natural gas market would be exposed to a number of unintended consequences for domestic consumers, the role Romania could play in the region, as well as for any upstream development.

Any material modification to the regulatory framework should always be carefully analysed and run through public consultations to be held in the English language to allow broad participation. In this context all relevant stakeholders should be provided with thorough impact assessments and enough time for comments. Furthermore, best practises from more developed markets should be taken into consideration when proposals are put forward.

As a traders association we are particularly concerned by the obligation to trade on one centralized platform the entirety of the volumes produced in the country. This would in fact amount to:

- A significant intervention in the market **limiting the freedom of the market participants and possibly hampering cross-border trades and export**. Over the counter transactions have a role in increasing market liquidity in that they complement standardised deals when the market so deems appropriate. Forcing sales within Romania adds unnecessary intermediaries when volumes are directed to neighbouring countries providing Romania with an unjustified rent and negatively affecting neighbouring markets;
- An **impact on the effective implementation of a daily balancing regime based on EU Regulation 312/2014** which requires users of the transmission system to balance their gas portfolios on a daily basis via a transparent price formation and a level of competition that is unlikely to emerge on a Government-led platform;
- **Transferring the responsibility for the functioning of the gas market to a large extent to government bodies** by creating a market platform with monopolistic attributes. This is not the intention of EU legislation and it exposes the market to possible distortive interventions no matter how much led by best intentions;
- A major **impediment to the development of complex physical infrastructure**, i.e. interconnectors with neighbouring countries, as forcing all transactions on the exchange envisaged would prevent taking the long term positions in other markets necessary to underpin the relevant investment.

Inter alia, we note that centralized market platforms are suited to standardized, shorter term trading (day, month, or year), while being an ineffective tool for long term (multi-year) sales which require specific, bespoke features that can only be agreed

through bilateral discussions. Such constraints would therefore represent virtually unsurmountable barriers for any future upstream developments with a material impact of the entire Romanian economy.

All in all EFET believes that **any theoretical benefit in terms of increased liquidity possibly attributable to the proposed amendments is by far outweighed by the negative impacts** mentioned above. This said, we note that our assessment is based on translations and on limited information and it may lack, otherwise appropriate, more detailed considerations. For this reason **we strongly recommend putting the legislative process on hold and open the discussion to all relevant stakeholders on the basis of a thorough impact assessment and documentation in the English language.**

Should the Government consider our recommendation, EFET remains available for a constructive dialogue aiming at establishing a well-functioning market in Romania.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Davide Rubini', written in a cursive style.

Davide Rubini
Vice-Chairman

EFET Task Force Central
and South Eastern Europe Gas (TF CSEE-G)