Some Enquiries on Romania's Post Nabucco Energy Policies

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There has probably never been in the past 23 years a stronger deception in terms of Romania's energy security than the Nabucco debacle. The (unspoken) death of the AGRI project may be added to this drama. The consequential economic and geopolitical losses for Romania are tremendous. It is extremely strange though, that this major event was held on public and government agenda for, probably, not more than 2 weeks, squeezing itself through some sterile Romanian "political" debates.

There have been certain events evolving within a relative short time span which, in a combined approach, may have indicated the outcome of the Nabucco project: (i) BP's significant financial exposure in the US following the Deepwater Horizon oil spill in the Gulf of Mexico, (ii) BP's position in the Shah Deniz consortium and the Southern Corridor selection process, (iii) the expertise of BP in offshore and arctic regions which would enable Rosneft to develop its capabilities, (iv) ultimately, the 2012/2013 BP-TNK-Rosneft deal in Russia which financially fueled BP's balance sheet threatened by the Mexico Gulf disaster, (v) Gazprom's withdrawal from the privatization bid for Greek DEPA gas company in favor of Azeri SOCAR (member of Shah Deniz consortium), (vi) the US shale gas energy self sufficiency and its (new) regional "power balance" approach that led to its lesser involvement in the Caspian region and shifting focus to its close neighborhood (South America) and Far East Asia, (vii) Norway's slow but certain emergence as second European supplier of natural gas after Russia, and (viii) Israel's strategic East Mediterranean interest promotion along the TAP project, securing export of its Leviathan basin resources to the EU. All these, along with other factors which could have been accounted for the expected failure of Nabucco, pose an example of realistic geopolitical moves of countries that indeed know how to pursue their strategic energy interests.

Unfortunately, Romania did not properly consider the risks surrounding the Nabucco project and did not prepare itself for a negative outcome. It rather seems that Romania rested in the shadow of an expected/hoped-for (but inexistent) EU common foreign and energy security policy. Also, it further relies with the EU prospects of ensuring a fully EU interconnected energy market, as the alternative for the Nabucco participating states.

If indeed Romania would have been prepared for such failure, normally, we should have noticed a "plan B", either officially stated or factually obvious. Instead, Romania chose the to pursue its "energy independence" and to complete its Eastern and Western gas interconnectors (thankfully, partially EU funded), as part of the EU (as recently confirmed by the EU Commissioner for Energy, HE Gunther Oettinger, in a speech delivered to the CSIS in Washington) declared intention of ensuring a fully interconnected energy market. The option of "independency" was, apparently, the most facile one, but disregarded any perceivable Romanian or European regional geopolitical approach to the more and more complex and strategic "**Magic Triangle**", comprising the Caspian, the Black Sea and the East Mediterranean regions.

"Energy independence" is unlikely to be achieved through the Government's back and forth moves on development of gas from shale (which tends to become more a political issue rather than an environmental one), lack of comprehensive governmental approach to the Black Sea E&P developments' required gas transport infrastructure, and the sudden change of the rules of game for the renewable energy industry. Equally important, the preparation of the 11th bid round for new hydrocarbons perimeters can hardly be a realistic target, while the NAMR is lacking sufficient staffing and while some previous bid round concessions still await ratification by Government for already 2 years now. Along the same lines, it is unlikely that EU's third energy package (yet to be fully implemented in Romania), will become a near future reality in Romania. Even though the package insists upon, among others, the importance of national independent regulators, one can only notice the pre-eminence of a Governmental department (so called Ministry of Energy) in national energy matters to the detriment of ANRE, the regulator. Last, but not least, “energy independence” (quite an obsolete, but very popular concept) is not compatible with a Government’s confusing talks on revisiting the hydrocarbons royalty system.

In our view, the Romanian Government should consider some aspects in shaping its medium term energy security policy in the post-Nabucco era and, just to mention a few: (i) the implications of the currently negotiated TTIP accord between the US and the EU, particularly in terms of promoting US gas exports (LNG) to (western) European coasts, in the larger context of energy competition among EU member states, (ii) the gradual shaping of regional and sub-regional energy alliances (see the recent revival of the Visegrad group in terms of gas market integration, the recent Accord between Cyprus, Greece and Israel on energy development of the East Mediterranean offshore potential, and the further possible energy cooperative frameworks or challenges that shall be initiated by or shall involve powerful regional players like Turkey, Ukraine, Israel, Russia and, “new entry” Azerbaijan (iii) the dilemma between competing (including militarization) and cooperative attitudes in relevant energy regions, particularly the Black Sea region, (iv) the Middle East area and, in particular, the Syrian conflict with the implications it may have on the Eastern Mediterranean and the “Magic Triangle” regions and, given limited space for this contribution, last but not least, the role that “bilateral ties” and bargaining on realistic domestic energy assets (like transport infrastructure, storage, energy efficiency and sustainable development plans) play in European regional energy security matters.

Energy “independence” and some interconnectors to neighboring states alone cannot ensure energy security for Romania. In the post Nabucco era, Romania must urgently define its energy security profile, add value to its true energy security domestic assets (like infrastructure, storage), further the development of a true liberal and attractive energy market, including true independent regulators - with potential impact on regional energy prices, promote new technologies able to “revive” largely depleted or inaccessible hydrocarbon reserves, etc. In what external energy policy is concerned, Romania should intensify its bilateral and sub regional energy cooperation on the north-south and east-west axis, with particular focus on the “Magic Triangle”, but without overlooking countries like Poland and the Baltic states. This would imply the immediate deployment of a professional corps of Romanian “energy diplomats” in relevant countries. Even at this moment, setting forth our energy diplomacy could be very useful, given Ukraine’s recent request for gas supplies from Romania. Regarding our Central European neighbors, as the Nabucco bubble burst, every country’s supply security strategy needs to focus on gradually moving towards a solid regional market integration. The answer for Romania’s energy security dilemma lies in coordinating with the other countries in order to connect the missing pieces of the puzzle represented by this area’s gas infrastructure. Interconnectors would not only enhance the region’s security of supply, but also would introduce a gas-to-gas competition which would drive prices down.

Some next high-level meetings with powerful key-countries in the region like Turkey, for instance, would be a very good first step in enhancing Romania’s energy security, which should tackle a comprehensive and extensive agenda on energy related issues (not only on electric power, but also on hydrocarbon production/transit in a regional perspective), and, thus proving that Romania still has a role to play in this area. If, indeed, we still have some bargaining power left.