
ROMANIAN GOVT. SETS ROYALTIES FOR BLACK SEA OIL AND GAS EXPLOITATION

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Companies that explore and exploit oil and gas deposits in Romanias Black Sea sector will have a normal royalty regime. They will pay the royalties currently provided by the law or in their contracts with the Romanian state, according to a law draft adopted by the Government las week that has already been sent to the Parliament for debate, reports local Hotnews.ro.

The offshore law has been eagerly awaited by the companies that run exploration projects in the Black Sea, such as OMV Petrom, ExxonMobil, and Lukoil. Although these companies have announced significant offshore gas discoveries, their decision to pursue with the commercial exploitation of these reserves depends on the tax framework, other state facilities, permits as well as market prices.

The draft bill provides that the companies that have offshore agreements in the Black Sea benefit from the current royalty levels. This translates into a royalty rate of between 3.5% and 13% of the gross production value, depending on the extracted volumes. Moreover, these companies will not pay any additional taxes on the profits they make from the gas price liberalization, the kind that onshore gas producers currently have to pay.

Offshore oil and gas producers will need to get permits from ten local institutions, including the Energy Ministry, Culture Ministry, Foreign Affairs Ministry, and the Armys General Staff. The draft law also provides that the companies exploiting oil and gas in the Black Sea will have to have at least a quarter of their employees from Romania and buy at least 25% of their goods and services from local contractors.

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