

Romania: OMV Petrom cuts the investment budgets

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Beside the low oil prices OMV Petrom is also challenged by local taxes which are a burden for the company investment plans. OMV Petrom has perspective Black Sea oil-gas exploration assets but it is evaluating the financial feasibility of the further project development.

Irina Dobre, the financial director of OMV Petrom, said the oil major has all the options on the table, which would translate into projects that are kept in stand-by or even staff reduction.

She explained in email statement that OMV Petrom's investments went down from EUR 1.4 billion in 2014 to around EUR 900 million last year.

"This year, we are forecasting a reduction of 10-20 percent of investments, and all this is due to the fact our cash flow is very tight.

In our industry, we can't be talking about a period in which we are hiring. On the contrary, we are looking at projects, and if we don't have them it is possible to restructure and look at other costs, including personnel expenses," said Dobre, during the 15th edition of the Tax&Law event, which was organized Wednesday by Business Review.

As OMV Petrom is seeking oil and gas deposits in the Black Sea, BR asked Dobre if this exploration project might see its funding reduced.

"The Black Sea requires huge investments, and for now the final investment decision is still under analysis, which will take another one or two years. Of course, the national and international evolution of prices for oil and gas will have an influence in that business model, but for us the Black Sea is a strategic investment and is treated as such. It does not necessarily enter in the normal decision-making flow regarding onshore projects," said Dobre.

She added that the country is already dealing with falling production in existing deposits and that „we might say that what we are producing in Romania right now from all wells is less than what a single well can produce in Libya in a day”.

OMV Petrom has already delayed the development of some project, expecting for the oil prices to go up first.

Dobre said the company's budget for this year took into account a bigger price for one barrel of oil against the current levels.

The financial director underlined the fact that the government's intention to tax profits from upstream (exploration and production) should take into account the current investment realities.

Dobre pointed out that Romania is among the top 10 countries in Europe, from the point of view of taxation of upstream operations. She is hoping that the construction tax will be cancelled next year, as it is stated in the Fiscal Code, transmits [Serbia-energy.eu](https://serbia-energy.eu)