

Romania: Unprofitable extraction of oil and gas in Romania

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Brent oil quotation fell to 21 dollars/barrel after WTI oil, a benchmark for the US market, was traded at negative price at -37 dollars/barrel for futures contracts due in May. Brent crude oil, a benchmark for the European market, fell below the total cost of production of OMV Petrom in Romania.

The Brent quotation has relevance on the price of oil and petroleum products in the region and it can directly affect Romania, if the situation with record low oil prices persists. Romania is a producer of oil and gas, through OMV Petrom and state-owned Romgaz. In total, OMV Petrom extracts about 150,000 barrels of oil and gas per day. According to the budget for this year, crude oil is priced at 60 dollars/barrel and such low price of oil means a negative effect of 20 million dollars for the company.

OMV Petrom has an operating cost of production of about 11 dollars/barrel, but neither capital nor taxes are included. However, there is an indicator that the company does not publish, but that represents the total cost - it is the "total lifting cost" which is about 25 dollars for each barrel extracted. Therefore, at the current cost structure, if the price of oil stays at these levels, the extraction of hydrocarbons becomes a losing business in Romania.