

Romanian Romgaz will make big investments in the next five years

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CEO of Romgaz Adrian Volintiru said that investments play a key role in reducing the natural decline in production, both by discovering new hydrocarbon reserves and by improving the current recovery, by rehabilitating, developing and modernizing existing facilities, but also by exploiting new opportunities for growth and diversification. The shares of state-owned natural gas producer Romgaz are on an upward trend after the company published the Development and Investment Strategy for the 2020-2025 period, which provides for an investment program of almost 3.5 billion euros.

The investment program for the 2020-2025 period will be oriented mostly towards natural gas production (about one third of the amount), partnerships in offshore projects (Black Sea) and electricity production-storage (another third of the amount), as well as diversification – petrochemicals and electricity production.

Last week, Volintiru said that the company is still interested in acquiring part of a stake in Neptun Deep gas project in the Black Sea, currently held by US ExxonMobil. Negotiations with ExxonMobil are blocked until the beginning of next year as each of the big oil companies is currently re-evaluating its strategies in the context of the pandemic, but Romgaz still targets 20 % stake in Neptune Deep project. Meanwhile, the Parliament and the Government are working on the offshore hydrocarbon law, which could harmonize the interests of both the oil companies and the state. Volintiru also estimates that the final decision related to continuing the Trident offshore project, where Romgaz is a minority partner of Russian Lukoil, would come within one to two months. However, recent drilling campaign failed to confirm the investors' initial estimations about the reserves in this perimeter.

Romgaz recorded a net profit in the amount of 118 million euros in the first quarter of 2020, which is by 5.5 % higher compared to the same period last year. The company's revenues decreased by 16.5% to 295 million euros in January-March 2020 period. Revenues from gas sales and from gas storage activity dropped by 18.52 % and 3 %, respectively, while revenues electricity sales increased by an 12 %. Depreciation, amortization and impairment expenses decreased by 49.6 % to 27.5 million euros due to lower expenses from impairment of fixed assets and exploration assets, while other expenses decreased by 22.9 % to 80 million euros due to a drop in oil royalties. Natural gas consumption in Romania amounted to 45.85 TWh in the first quarter of 2020, a drop of 3.7 % year-on-year, while natural gas production decreased by 4.7 % to 1.36 billion cubic meters.

