

JN RR 772



**USAID
GAS REGULATORY &
RESTRUCTURING ASSISTANCE PROJECT
in ROMANIA**

FINAL SEMINAR

**ACHIEVEMENTS
TOWARD A FREE MARKET FOR
NATURAL GAS
in ROMANIA**

**Bucharest, Romania
September 19, 2002**

Nexant

23865-814-0017

OBJECTIVES of our PROJECT

- **A Free Market for Natural Gas within the Framework of Independent Regulation**
- **Gas Sector Policies that Embrace Free Market Principles and Encourage Private Sector Investment.**



FOCUS AREAS

- The Drafting of Market Rules
 - A **COMMERCIAL CODE** that is a framework for market-based transactions and is consistent with EU Directives
 - A **TECHNICAL CODE** that ensures quality of service, safety and environmental protection
- Implementation of a **PUBLIC PARTICIPATION STRATEGY** at ANRGN that pro-actively involves stakeholders in the regulatory process
- The identification of issues to be addressed by Romania's distribution units as they seek **FINANCIAL SUSTAINABILITY** through private sector investment.



Achievements



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The COMMERCIAL CODE
(July 12, 2002)

and the TECHNICAL CODE
(June 26, 2002)

**form the first comprehensive set of Market Rules for the
Romanian Gas Sector following the restructuring of Romgaz
in 2000:**

**Next steps:
Continuous improvement**



ANRGN

**adopted a Public Participation Strategy
(December 19, 2001)**

Next Steps:

This important strategy needs to be implemented.



FINANCIAL SUSTAINABILITY: PRIVATIZATION of the GAS DISTRIBUTION UNITS

- **In 2003 ?**
- **Moving too slowly to be credible!**
- **Focus of activity remains at too high a level.**
- **Company personnel are not focused on competitiveness issues!**



 **Nexant**

COMMERCIAL CODE

- **Presentation by Mihai Goage, ANRGN**
- **Comments by Robert Borgström, Nexant**
- **Open Discussion**



TECHNICAL CODE

- **Presentation by Vasile Florea, ANRGN**
- **Comments by William Cochran,
GasConsult**
- **Comments by Vlad Pavlovschi,
Transgaz**
- **Open Discussion**



The Next Steps

- **Public Disclosure**
 - **Carmen Perniu, ANRGN**
- **The Program for Privatization**
 - **Constantin Nedelcu, MIR**
 - **Marioara Neagu, Dstrigaz Sud**
 - **Marcela Oltean, ANRGN**
- **Open Discussion**



Recognition of the Project Team



Comments on the Commercial Code

- **Publication is an Important Achievement**
 - **First comprehensive set of Market Rules for the Romanian Gas Sector since the Restructuring of Romgaz**
 - **Useful foundation for guiding the further transformation of the sector from state ownership toward a free market**
 - **Development reflects a broad range of comments and is generally consistent with the objectives of our project**
 - **Continuous improvement will be required to ensure the creation and sustainability of an environment that**
 - **embraces free market principles &**
 - **pro-actively encourages constructive private sector investment**



Comments on the Commercial Code

- **Basis of our Project is that**
 - **A competitive free market, rather than a central plan of resource allocation, is the best guarantor of meeting the public need. The Commercial Code must be an instrument for implementing this principle.**
 - **The language of the code must foreclose any possible opportunity for the Code to be used as an excuse to perpetuate a controlling regime in the Romanian natural gas sector.**
 - **The Code still includes procedures of “control” and “allocation” that are contradictory to the essence of free market principles.**



Comments on the Commercial Code

- Needs to be explicit about the distinction between the ownership of natural gas and the ownership and operation of transportation and storage systems.
- The role of the Market Operator is still ill-defined and reflects an inconsistent vision of that function.
- Needs a mechanism for updates; only through continuous improvements can the vitality of this important document be ensured.



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