

CMS | Romania increases royalties in oil & gas sector



In October 2023, the Romanian government enacted Ordinance 91/2023 (GEO 91/2023), which increases royalties from the oil & gas sector in order to ensure sustainability of public finances and efficient management of budget revenues.

For the crude oil sector, royalties are based on gross production and are calculated as follows:

- 4.5% (previously 3.5%) for deposits producing less than 103 tonnes/quarter;
- 6% (previously 5%) for fields producing between 103 tonnes/quarter and 203 tonnes/quarter;
- 8.5% (previously 7%) for fields producing between 203 tonnes/quarter and 1003 tonnes/quarter;
- 16% (previously 13.5%) for fields producing more than 1003 tonnes/quarter.

For the natural gas sector, royalties are based on gross production and are calculated as follows:

- 4.5% (previously 3.5%) for deposits producing less than 106 mc/quarter;
- 9% (previously 7.5%) for deposits producing between 106 mc/quarter and 506 mc/quarter;
- 10.5% (previously 9%) for deposits producing between 506 mc/quarter and 2006 mc/quarter;
- 15% (previously 13%) for deposits producing more than 2006 mc/quarter.

In addition, royalties for oil transport and transit operations through the national oil transport systems has been increased from 10% to 11.5%. A smaller increase occurred for underground gas storage operations, which has been increased from 3% to 3.5%. As a rule, royalties are payable quarterly, starting from the commencement of operations and due on the 25th day of the first month of the following quarter.

Another provision that has raised concern in the industry regards the indexation of oil royalties with the inflation rate of the previous year. This measure reportedly brings a double application of the inflation rate since the royalty base is calculated according to achieved prices. As the Oil & Gas Federation has announced and as reported by bursa.ro, the inflation indexation of oil royalties will likely have a negative impact on the economy.

Romania is positioned to increase its role as a European player in the natural gas sector by 2027 when 8 billion m³ of gas annually for approximately ten years is expected to come into stream from the offshore Neptune Deep discovery in the Black Sea, according to the recent final investment decision by OMV Petrom and Romgaz.

For more information on opportunities in Romania's oil & gas sector and how these royalties will affect your

Romania-based business, contact your CMS client partner or these CMS experts: **Varinia Radu** and **Ramona Dulamea**.