Submission No 50

Inquiry into Australia's Overseas Representation

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Joint Standing Committee on Foreign Affairs, Defence and Trade

A U S R O T R A D E
AUSTRALIA / ROMANIA CHAMBER OF COMMERCE

19th of April 2012

The Secretary
Joint Standing Committee on Foreign Affairs, Defence and Trade
Parliament House
CANBERRA ACT 2600

Dear Secretary

I write in response to the Invitation extended to interested persons and organizations to make a submission to the Inquiry into Australia's Overseas Representation by the Joint Standing Committee on Foreign Affairs, Defence and Trade.

I attach the bilateral Chamber of Commerce's submission. I trust that the information it contains will be of assistance to the Committee in completing its inquiry.

Yours sincerely

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Joint Standing Committee
on
Foreign Affairs, Defence and Trade

Inquiry into Australia's overseas representation

Submission

by the

Australia / Romania Chamber of Commerce

On September 2011, The Hon Dr Craig Emerson MP Australian Minister for Trade and Competitiveness asked the Committee to inquire and report on "Australia's Overseas Representation".

Leading subject of our current Submission is a focus on the representation of the "Australian National Interest" abroad - on a regional / country basis – i.e. our remarks are on Europe / Central Europe / Balkans / Black Sea and Romania.

The Australia – Romania Chamber of Commerce represents the conjugated national interests of both Australia and Romania as an EU and NATO member.

As the Hon Dr. Craig Emerson MP is the current Federal Minister for Trade (and Competitiveness) – we will particularly address / emphasize on issues pertaining to Australian Trade / Competitiveness and National Interest representation in EU / Central Europe / Balkans / Black Sea and Romania.

1) First, we begin with a results review of a previous Parliamentary Trade Inquiry:

(2003) Joint Standing Committee on Foreign Affairs Defence and Trade Inquiry into – "Expanding Australia's trade and investment relationship with the countries of Central Europe"

http://www.aph.gov.au/Parliamentary_Business/Committees/House_of_Representatives_Committees?url=jfadt/centraleurope/report.htm

An Australian Parliamentary delegation led by Senator Alan Ferguson, Chairman of the Joint Standing Committee on Foreign Affairs, Defence and Trade, visited Romania in April 2003.

The 2003 Report attempted to document those opportunities and made recommendations on how the Australian government could assist Australian investors and industry to capitalize on those opportunities.

The key finding (valid even today – after some 10 years) of the inquiry is that there is an 'information failure' between Australia and Central Europe. Australia's economic strengths place it well to assist Central Europe with its transition to modern liberal democracy. Our strengths (Australia) match Central Europe's needs, and their transition trajectory promises major opportunities. The potential is there. The main ingredient missing from this potentially fruitful economic equation is market knowledge of each other, and each others' needs (and wants).

If this 'information failure' were remedied, existing opportunities will drive much greater trade and investment, to the National Interest and advantage of both Australia and Central Europe.

This conclusion is the foundation of the report and is still valid today, after some 10 years.

The Report accordingly recommends a range of measures - to increase mutual awareness and mutual understanding of trade and investment opportunities.

The "then" suggested measures can be grouped into three categories:

- The first involved several "awareness raising" activities, including general and specific high level trade missions, targeted use of scholarships and the encouragement of institutions links in education (and some small steps eventuated in a natural way..)
- The second category (still) recommends a range of government measures - to address (2012 !) existing impediments to increased trade and investment, changes to trade representation in Central Europe and refocusing the commitment within Australian Government departments to support trade and investment with Central Europe.
  (except visa issues – all other changes were contrary implemented, i.e. trade representation in Central Europe has been extinguished – Belgrade / Bucharest / Budapest AUSTRADE offices have been dissolved, and arch-enemy and business competitor of Central European countries – Poland – has been assigned to promote all business inquiries – regarding trade and investment with these 'remote' countries – and regional specific issues (Black Sea).
- Finally the report also recommends that **Austrade** develop a new export strategy for the region, which considers key areas of opportunity for Australian industry – in areas of strong comparative advantage: namely services, agribusiness and manufacturing.
  (**none** – of the post 2003 recommended actions took place at the Australian National Interest level displayed by all parties and interested pool of exporters and investors from both Romania and other neighbouring countries – except some normally occurring business developments within the "eGovernment" – as in "Land Titles" model – or some early 1990's Government services)

At a distance of nearly 10 years – reviewing the 2003 Joint Standing Committee's recommendations – and the quality of implementation by the successive Governments – we find a failure in the most essential segments.

Changes in the Policy covering Trade and the Government Institutions involved, are deeply and irremediably affecting the Australian National Interest at large – in the area of public goods and both Private and Government.

We consider important – to inform the Committee that the reality in Trade and Investment with Central Europe is currently biased and "that goldmine" has been abandoned for reasons beyond our knowledge (or understanding).

We believe that there are numerous other reasons that an eventual "**10 years Review** to the Joint Standing Committee on Foreign Affairs Defence and Trade **Inquiry** into – "Expanding Australia's trade and investment relationship with the countries of Central Europe" **should take place**.

2) About AUSTRADE:
History book shows that wars have been fought to conquer new markets. Founding colonial empires resulted from a search for natural resources combined with a need for new markets for manufactured goods and Australia itself is such a result.

So, "Qui Prodest?" all the historical, ethnical, diplomatic ties with the region – when Austrade's Submission (26) shows that

"The closure of a number of offices in North America and Europe, the reduction of some staff primarily in North America and Europe as well as a rationalisation and redirection of effort in Australia has released resources to strengthen Austrade's trade and investment representation in growth and emerging markets".

By the way - Central Europe, Balkans and Black Sea Economic Region ARE "emerging markets".

Well, the Austrade office administrating and promoting Investment and Trade with Romania is in… **Poland**! The Austrade office in **Poland** is responsible also for **Hungary**, **Romania** and **Serbia** and works to promote the "Australian education sector" within Poland and attract productive **foreign direct investment** into Australia (from Poland or other Central European countries – that currently are expecting that Australian investors may get interested in the positive offers and Projects they have !)

In **Hungary**, **Romania** and **Serbia**, Austrade services are primarily focused on promoting the **Australian education sector** (i.e. signing students for different universities - current Austrade website) **only**.

Our efforts to get some basic details from the Warsaw Austrade Office regarding Trade, Investment and the EMDG scheme for the Balkans – and/or Romania – or even the Trade Commissioner's name – failed…

3) About EFIC

It s been acknowledged that some information has public good characteristics that may warrant government intervention. EFIC argues that a lack of information on international markets can impede access for Australian exporters.
EFIC and other government agencies such as Austrade are stating that "publicly release of information, such as "country risk assessments", is assisting exporters, importers and private sector providers to "assess the risk of dealing in a particular country". We, as Australians - ALWAYS expected that based on such statements - EFIC / Austrade will take into consideration the diplomatic steps and Agreements signed between one's country and Australia. We 'we tried to have an image about the level of risk assessment of exporting and investing in Romania (http://www.efic.gov.au/country/countryprofiles/Pages/countryprofiles.aspx).
Contrary to its own statements - and to our disappointment we (re)discovered that Australia is not a sovereign state, the Australian Trade has been subject to outside manipulation - and (see the website) "country risk assessment" IS NOT done by the Australian Government represented by EFIC. That, cancel's most, if not ALL efforts of cooperation between Australia and some other countries - efforts of Parliamentary Groups of Friendship, hard work done by the Australian diplomats, Australian ethnic communities, and individuals - to positively and neutrally position Australia in a competitive world.

"EFIC does not issue market grading for individual countries. However, the OECD publishes country risk grades for 144 countries which attempt to measure the likelihood that a country will service its external debt. The grading measure country credit risk for loan maturities over two years and range from 1 (low risk) to 7 (very high risk)".

In some circumstances, the provision of information by government agencies can be an efficient meaning of overcoming some market failures associated with its public good characteristics.

"Country Risk Assessment" - when done by Australia's bureaucratic infrastructure, finds the reality in arguments generated by its own valid assessments - whether favorable or not - to a particular Project or business.

If someone else, from outside - decides in economic terms for Australia which way to go - we have no reasons of keeping in place such a costly Government business structures - and the function itself, can be subcontracted by the private sector.

The vision the Gillard Government has - does not matches to reality - and re-branding of Australia can not be done in a cheap manner. I should remind to the

Honorable members of the Joint Standing Committee – that, recently, attempting to buy an Australian made flag labeled as "Manufactured in Australia" - has failed.

EFIC, like ANY other insurer - should be "out there" in the market, as a fixture in the Austrade office - anywhere abroad or inland. It should evolve in common with Austrade - and it should become a facility 80 % in the favor / assistance of the Small and Medium Enterprise.

Most of the problems regarding SME's Exports - are related to unreal "country risk assessments" / abnormal high insurance - or nil insurance - to a normal / safe destination / part of the world, difficulties of obtaining LC's.

(It is probably the time that "The Commonwealth of Nations" a voluntary (anglosphere) association of 54 sovereign states - the world's leader in mining, gas and petrol exploration / primary industries / provider of raw materials - has its OWN scale of "country risk assessments".)

EFIC's overall penetration /reach into the exporting community is minimal, especially when it comes to their actual financial instruments.

This is because their philosophy and many of their current instruments, revolves / are designed for complex projects, supply chain proponents or individual companies can be more suited to the big-end-of-town than to an SME.
EFIC's target sectors are defence, engineering, resources, infrastructure and agriculture – with predilection.

About excessive Requirements for Lending and EFIC
In the face of increasing financial uncertainty, credit insurance providers and commercial trade finance are reducing their risk tolerance levels. They increasingly require considerably more documentation and security from exporters seeking finance. As such, even "secure" options such as Letters of Credit are becoming lately more difficult to source, especially amongst the small to medium exporters.

Political or Country risk has always been a feature of developing markets, but recently exporters are finding traditional markets such as the US or Europe - also considered to be high-risk. When compounded with risk assessments on large-scale projects, consortia, banking partners or individual buyers, access to credit can be extremely difficult.

About the cost of Credit / Money in conjunction with the Risk Assessment
Related to the issues outlined above, the expectation is that individual exporters are able to easily, access information on and make assessments of, the level of risk inherent in any new commercial transaction. For most exporters this is unrealistic. Sophisticated economic, political and corporate risk analysis on deals

that often involve multiple players in numerous different jurisdictions is simply beyond the resources available to most exporters.
The "purchase" of these assessment capabilities is then either built into commercial trade finance service fees and the cost of credit - or available for a fee-for-service from other commercial specialists such as Dun & Bradstreet. In these circumstances, <u>the cost of credit or a reliable risk assessment may end up being simply too high for the exporter to afford – therefore EFIC's presence in the Austrade Office Overseas is needed - as well involvement with the SME's.</u>

EFIC has to be reformed, re-defined – from the ground / up, and become a part – fixture / function of ALL Austrade Offices.

It should be dynamically represented abroad, being operational – in areas of Trade Policy with a "particular country" and linking decisions pertaining to the Australian National Interest – in conjunction with the world market reality.

4) About Romania:
Romania is a current member of European Union (EU) and a military (NATO) member.

Historically, ties of a particular consistency are linking the Government of Romania and the Government of Western Australia. They are dating back to the end of 1960's – when the "then" USSR imposed a politically motivated / blackmailing embargo on Romania regarding imports of a particular type of an iron ore currently existing in only two parts of the world – Urals and Western Australia. The iron works / smelters in Galati / Danube – were purposely designed to only use that type of iron ore… The balancing of situation – has fostered ties and a lasting friendship between Romania's political management and Lang Hancock – and between 1970 and 1989 – bilateral trade developed to levels particularly high.

The win/win situation was a result of the fact that the two Governments - no middle man – (as well a Barter formula) has been adopted in the commercial exchanges / ties. Even today, in Pilbara – linking the Port Hedland with the iron ore mines, the railway (and some rolling stock left – i.e. locomotives, carriages) are still the ones manufactured in Romania.

In February 1989 – the President of Romania has paid a visit – and preliminary Protocols of Cooperation, Trade and Investment were agreed upon – regarding the development of a Maritime Port , port infrastructure to load iron ore or coal, railway and rolling stock linking the different mines and the port, infrastructure, and a mining city / power plants to be built in the today's Pilbara. Topographic, geologic studies regarding this still exist – being archived in Romania.

End of 1989 had seen at the international level, a historic change – the fall of the "Iron curtain" and "End of the cold war" cutting suddenly development projects of a major / real potential – first for the Australian economy – as well Romania and Europe due to the development of maritime logistics / water transport of both WA and Romania / Europe via Danube.

Attachment 1 and 2

1) Attachment 1 shows that Australia's export access to European markets is shorter with some 11 days of navigation and some 3500 nM via Black Sea / Constanta / Danube – than the traditional one through Mediterranean via Rotterdam. Useless to mention the margin of profit and/or increased export capability, particularly fresh vegetables and tropical fruits.

2) Attachment 2 – shows the beneficial positioning of Romania as an alternative access gate for maritime logistics major European Union logistics / transportation corridors (water – i.e. Danube, railways, highways, air, gas / oil pipes)

Result of such intersection / capability in logistics – will see in a few years an increased use of this access / logistics routes – developing in partnership with most of the European Union countries. Port of Constanta is prone to become a smaller version of a Rotterdam / Singapore.

AGRI Project – an opportunity of supplying EUROPE / EU with Australian Natural Liquefied Gas (LNG) – and developing in common with the EU (EU funding) Australian Gas Projects.

We should further mention that Romania is a country of 2000 years of 42 different minerals traditional mining (Carpathian Mountains / Transylvania). This resulted in numerous disaffected mines – a current extremely large opportunity of Natural Gas storage – due to geologic stability and other criteria.

Similar to Western Australia – the Government of Romania is involved promoting the development of the Project AGRI – supplying liquefied natural gas to EU (AGRI – Azerbaijan – Georgia – Romania – Interconnector). The natural occurrence of the LNG storage capability half way to Europe in Carpathian Mountains – needs an add-on, a source of alternative LNG supply. Europe is preparing to use the Azerbaijan LNG supply via the Georgian – Black Sea routes. Exposure to geo-political risk (Turkey / Ukraine / Russia) creates the need of aan alternative supply of LNG. A segment of the AGRI Project – may develop with EU funding a Greek terminal / facility – and a supplementary linking gas pipe via EU ground only – i.e. Greece / Bulgaria / Constanta – where it will link to AGRI.

Security of AGRI is insured by the US / NATO naval – air base in Constanta and gas transport / LNG ships delivering it – could be built in Western Australia's facilities.

There's as well – a large, common opportunity of a dual Defence market, the two Defence Industries having regional complementing characteristics and not being concurrent in any respect.

Romania's ROMARM describes the opportunity they have as "a market / chain of distribution for products most of the NATO partners are interested."

Current Western Australian development of Pilbara Region, could be restarted at a competitive value.

All described above – has been filtered through Australia's National Interest vision.

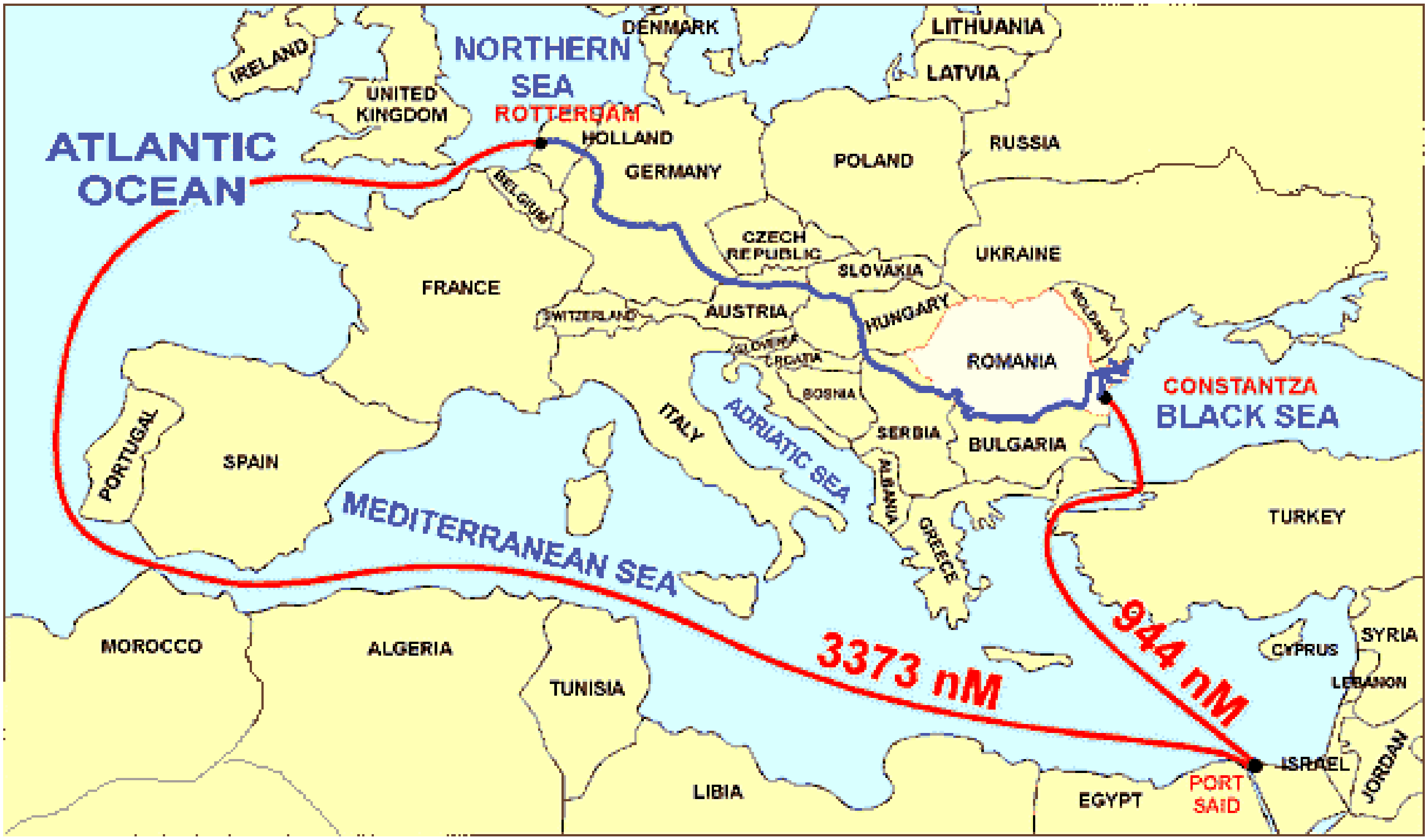
Kind Regards

Georg von Gross
Chair / Bilateral PR Analyst

23rd of April 2012

10 Attachments

- Att 1 / Att 2 = Maps
- Att 03 / Att 10 = Projects



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HOLLAND
GERMANY
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BELGIUM
CZECH REPUBLIC
SLOVAKIA
UKRAINE
FRANCE
SWITZERLAND
AUSTRIA
HUNGARY
MOLDAVIA
SLOVENIA
CROATIA
ROMANIA
BOSNIA
CONSTANTZA
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Taranto
Izmir
Mersin
Greece
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ATHINE
Palermo
Messina
Catania

THE ROMANIAN CARBON CAPTURE STORAGE DEMONSTARTION PROJECT (CCS DEMO PROJECT)

1. SUSTAINABILITY OF THE ROMANIAN CCS DEMO PROJECT

ENVIRONMENTAL IMPACT

- Romania, as an EU member state, will have to contribute to outcome climate change consequences by respecting its national CO2 emissions mitigation targets;
- Romania will transpose the EU directives, especially **Energy-Climate Change** Package.

The Romanian CCS Demo Project, decided on the selection at country level, is a governmental project coordinated by the Ministry of Economy, Trade and the Business Environment (METBE).

ECONOMIC IMPACT

- Maintaining operational the power plants running on local lignite, including the mining exploitations sites;
- Extension of the CCS technology for all the power producers in the region (over 4,000 MW) on local lignite and other energy intensive industries (metallurgical, chemical etc.) ;
- Potential to develop the CCS transport & storage infrastructure for the industrial CO2 emitters in the region, at country and cross-border levels, by extending the CO2 storage capacity in deep saline aquifers geological formations and depleted oil and gas reservoirs from Oltenia region.

SOCIAL IMPACT

- New jobs created all along the project stages – design, EPC, operation and monitoring for the Capture / Transport / Storage facilities;
- Capacity building at institutional level;
- New educational programs for colleges and universities;
- Training programs for all future operators of the CO2 capture plant, transport pipelines network and storage sites monitoring.

2. INDUSTRIAL INITIATIVES AND CCS ROADMAP

2010:

The Prime Minister decided to develop a Demo CCS Project by signing the "**Action Plan to implement a Demonstration Project regarding Carbon Capture and Storage (CCS) in Romania" ;**

The Ministry of Economy, Trade and the Business Environment (METBE) runs the call for proposals and national ranking - selection between potential future CCS projects (energy sector and other industries) ;

The Romanian CCS candidate project was selected from the energy sector;

METBE contracted the CCS National R&D Program;

METBE's Order no.1508 nominated the Inter-ministerial Steering Committee for the Romanian CCS Demonstration Project coordination consisting of representatives

from: METBE, Ministry of Public Finance, Ministry of Environment and Forests, Ministry of Education, Research, Youth and Sports and Final Operators;
Transposing the EU legislative package on “**Energy-Climate Change**” – in progress
“CO2 Club” Association - Second edition of the International Conference “Promoting CCS in Romania” – Bucharest;
World Energy Council and ISPE - Regional Energy Forum FOREN 2010 - international workshop on CCS - Neptun ;
GeoEcoMar and ISPE “CCS National R&D Program” – First knowledge sharing event - Tg. Jiu;
National Romanian Day, 1 December – Romanian CCS demo Project was launched – Brusseles.

2011:

In Romania, the CE/31/2009 CCS Directive will be transposed through a Law and will be promoted under the Ministry of Environment and Forestry and Ministry of Economy, Trade and the Business Environment co-initiative. The Romanian CCS Law will be submitted to the Parliament.
METBE has approved the Memorandum signed by the future Operators for the foundation of the Project Company which will develop, implement and operate the future Romanian CCS Demo Project.

3. WHY CCS IN ROMANIA? BECAUSE:

- To reach 2020 EU targets of making CCS commercial **we need to promote both onshore and offshore projects ;**

- **Romania** has preliminary identified around **23 Gt onshore** CO2 storage **geocapacities** (17Gt in saline aquifers and 4Gt in depleted oil&gas reservoirs);

- **Romania** has more than **150 years** of history in the **oil and gas** industry, and currently operating natural gas reservoirs;

- **Maintaining operational** the **PPs** running on fossil fuels (41% indigene coal and 12% hydrocarbons) and the **mining sites exploitations** has a **positive economic & social impact** for Romania;

- It will **contribute** by the power of example to the **CCS deployment in** the **South-East** European region.

Learning Process in Romania

2011 Events already contracted:
-2 national CCS knowledge sharing events within the METBE’s CCS National R&D Program (April, together with WEC-RNC and November 2011);
-1 Open Door event (TURCENI March 2011);
-2 international CCS conferences (Co2 Club – September 2011, CIEM – November 2011);
-Intention to develop a CCS Knowledge Sharing Strategy Platform at regional level – South-East Europe, Black Sea and Balkan countries .

4. ROMANIAN CCS DEMO PROJECT – IN BRIEF

The Romanian CCS Demo Project is a governmental project, officially sustained by the Prim Minister and coordinated by the Ministry of Economy, Trade and the Business Environment – METBE and supported by Global CCS Institute.

Location
- Oltenia region - the most energy intensive region at national level, responsible for about 40% of the total amount of CO2 emissions at national level (24.5 Mtpa CO2);
- TURCENI Energy Complex - existing power plant, local lignite-fuelled, 4x330 MW

Technical features
- Integrated CCS Demonstration Project;
- 1.5 Mtpa CO2 captured, transported and safely stored;
- 85% minimum removal efficiency from the flue gases ;
- Capture – 330 MW power unit, in TURCENI Power Plant - Unit no.6, under retrofitting and operation lifetime extension;
- Transport – onshore pipeline, with tentative to use the existing HP natural gas routes;
- Storage – deep saline aquifers geological formations (more than 800 m) within a radius of 50 km from TURCENI.

Project Company
- TURCENI Energy Complex – future operator of the CO2 Capture Plant;
- SNGN Romgaz SA Medias – future operator of the CO2 Geological Storage facility;
- SNTGN Transgaz SA Medias – future operator of the CO2 Transportation Facilities.

Technical Consortium
- Romania – ISPE (Institute for Studies and Power Engineering) - Project Management and Technical & Financial Consultant for capture plants integration and transportation pipelines ;
- Germany - Alstom Carbon Capture GmbH – Capture Plant Technology;
- Romania - GeoEcoMar – CO2 Geological Storage Technological Consultant ;
- France - Schlumberger Carbon Services – CO2 Geological Storage Technology.

Development phase: Feasibility Study and Application for the EU-NER300 funding program.

Current status : On-going Feasibility Study and NER300 submission documentation submitted to the MS.

6. TURCENI PP – UNIT NO.6 (330MW)

-under going **retrofitting process** – deadline 2013;
-**FGD** system – deadline 2012;
-**ash and slag "dense slurry"** system– deadline 2012.

Main technical features after retrofitting
<u>Steam Turbine + Electric generator</u>
Rated gross power -330MW;

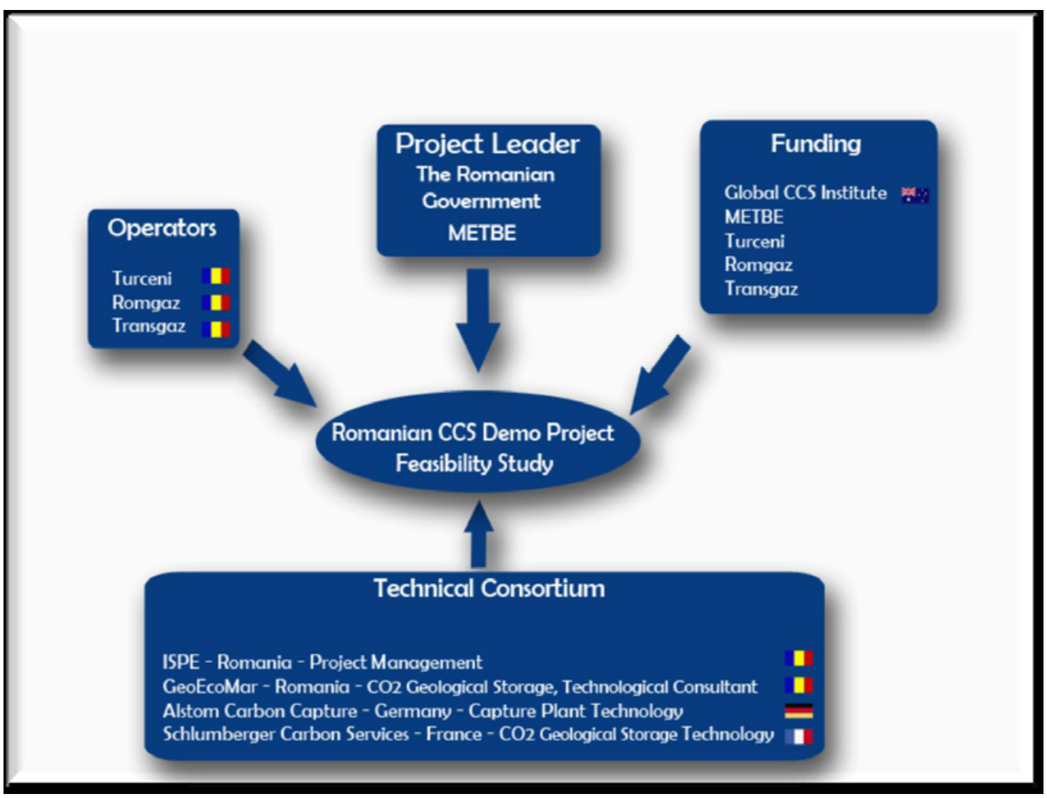
Maximum long term available gross power - 310MW ;
Annual average gross power - 280MW ;
Steam Boiler
Steam flow - 1035t/h ;
Steam parameters (pressure / temperature) - 192 / 540 bar / 0C ;
Efficiency - 88% .

CO2 Capture
-post-combustion system;
-85% minimum efficiency;
-chilled ammonia;
- future operator: **Turceni** Energy Complex.

CO2 Transport
-onshore pipeline of 50km maximum length;
-future tie-ins to be considered: Rovinari PP (1300MWe), Craiova II CHPP (300MWe), Işalniţa CHPP (600MWe), Petro-chemical and Metallurgical industries;
-future operator: **Transgaz** - National Company for Natural Gas Transportation.

CO2 Storage
-area of investigations within a radius of 50km around Turceni PP ;
-11 potential CO2 storage sites in onshore deep saline aquifers;
-multi-user hub development potential;
-future operator: **Romgaz** - National Company for Natural Gas Exploitation.

7. KEY PLYERS



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DATA SHEET
Concerning the Investment Project "Halanga Thermal Power Plant Modernization and Development" ROMAG TERMO Subsidiary of Romanian Authority for Nuclear Activities

1. **Background:**

1.1 **Business activities of ROMAG TERMO Power Plant:** Heat and electricity generation

1.2 **Commercial association with other companies or Joint venture:** Not applicable

1.3 **Ownership:** ROMAG-TERMO Power Plant is a subsidiary of ROMANIAN AUTHORITY FOR NUCLEAR ACTIVITIES (RAAN), which is a Government Business Enterprise

1.4 **ROMAG TERMO Establishing date:** 1980

1.5 **Location:** ROMAG-TERMO Power Plant is located at 5 km away from Drobeta Turnu Severin Municipality, on Western side of Halanga Commune. On the Eastern side of the Power Plant there is 67 National Route and on the Northern side, there is Trestelnic Rivulet. The new Power Plant emplacement shall be on the Southern side of the existing Power Plant and on the West side of National Route DN 67, which shall provide the access to the proposed Power Plant. The new slag and ash deposit shall be emplaced on Eastern part of Putinei locality, at approx. 3 km away from Power Plant.

2. **Basic economic elements for 2009:**

2.1 **RAAN's Capital** – Mil. RON 104.8

2.2 **RAAN's Turnover –** Mil. € 170.3

2.3 **Production capacities and their load:** Within ROMAG-TERMO Power Plant six 420t/h boiler are operated based on combined coal-mazout fuel; one 420t/h boiler with mazout fuel; 2 boilers of 105 t/h CAI 1 respective CAI 2 and 6 turbo-generators: 3 of them are of DSL 50 type, 1 of DKUL type, 1 of SC 25 type and 1 of DKAR 23 type.

The main products generated within the Power Plant are heat and electricity

2.4 **Number of employees** Romanian Authority for Nuclear Activities has 3.738 employees, and 1.140 of them are ROMAG TERMO Power Plant employees.

3 **Market:** Domestic market

4 **Raw materials supply:** As raw materials coal (lignite) and mazout are used. The coal is supplied from Mehedinti and Motru coal basins. The mazout is supplied from SC ARPECHIM SA Pitesti. The procured quantity of mazout is approx. 1.2% from coal quantity supplied during one-year period.

5 **Recognition by the international financial organizations:** Not applicable

6. **Project Objective:**

6.1 **Project overview**:

The aim is to increase the existent ROMAG TERMO Power Plant capacity from 275 MW to 600 MW, by applying the lignite gasification method, as well as construction of a new 400 MW power group, also by coal gasification, finally reaching a total installed power of approx. 1000 MW.

6.2 **Elaborated studies for project support**:

- «*Solution study on achieving within the Halanga Power Plant of a new Power Plant with a capacity over 1000 MW using the existing utilities*», elaborated by ISPE Bucharest, 15 June 2007.
- "*Rationale Report on the technical and economic solution on the Halanga Power Plant modernization and development*" elaborated by Schnecker van Wyk/ Pearson, approved by RAAN Board
- "*Appraisal Report on the assets / business to be brought in the project company*" elaborated by Schnecker van Wyk/ Pearson

6.3 Estimated duration for project implementation: 2011-2015

6.4 The proposed strategy is to establish a business enterprise with two or several shareholders, where RAAN would contribute with the assets owned by Halanga Power Plant snd with supplementary land areas necessary for Halanga Power Plant development by constructing at least one new 400 MW power group so that at the end of the Modernization Project, the total installed capacity should be of about 1000 MW. The feasibility study would be elaborated by Romanian Party, through Schnecker van Wyk/ Pearson company, as per the consultancy contract concluded between RAAN and this company on "Halanga thermal Power Plant modernizing and development", which is a RAAN subsidiary .

6.5 Foreign participation: it is proposed to be mainly financial. A business enterprise would be established based on the shareholders agreement, a private legal entity.
RAAN shall participate in the business enterprise with the existent assets, according to the property deed and with the amounts corresponding to the contracted expenses for the preparation work and services (studies, designing documentation, authorizations, permits, etc.).

7. Estimated project value

7.1 Total estimated fund for investment achieving:

Phase I Plant modernization =700 mil. Euro; Phase II New Group = 600 mil. Euro;
TOTAL 1,100 MIL. Euro

From what:

- external source: 700 Mil. EURO

8. Production and distribution after project fulfillment:

The "Halanga Power Plant modernization and development" Project based on the coal gasification technology is totally compatible with basic strategy present and future approaches of the European energy policy, as well as with the specific Romania's objectives to ensure its energy independence and safe access.

9. Environment protection: The "Halanga Power Plant modernization and development" Project is aimed to follow the Romanian legislation which is transposing the European Directives on environment requirements.

RAAN GENERAL MANAGER
Adrian OLARU

Director of
Strategy and Development Department
Eng. Ioan BARTA

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PRESENTATION SHEET

Concerning the Investment Project:

„ New high power unit (500 MW) ”

of the SC Complexul Energetic Rovinari SA

1. Background:

Business activites:

Production of electric power - 3511

Comercial association with other companies or Joint venture :

No.

Ownership:

76,27% Ministry of Economy
23,73 % Fondul Proprietatea

Estabilished : 01.04.2004

Location:

New high power unit of 500 MW located inside CTE Rovinari instead of I stage – 2 x 200 MW.

2. Basic economic elements :

Social capital : 234.082.478 RON

Turnover : 795.326.608 RON (31.12.2010)

Production capacities and their load :

Power generation in 2010 :

Unit 3 : 2.036.980 MWh
Unit 4 : 1.664.560 MWh
Unit 5 : 1.423.359 MWh

Availability : 89,89 %

Number of employees : 4.442 at 31.12.2010.

3. Market

Beneficiaries within the country – transactions on the domestic market only

4. Raw materials supply:

- lignite - Own sources and S.N.L.O
- natural gas - SC Distrigaz Sud Bucureşti SA
- heavy fuel oil - Rafinăria Steaua Roşie

5. Recognition by the international financial organizations:

6. **Project objective:**

Project overview:

Taking into account the liberalizing of the energy market, the improvement and strengthening o f the competitivity and market share of the Energy Complex Rovinari, the morally wearout, all of them having more then 25 years of operation, it become a necessity the installing of a new high power unit with state of the art technology with an overcritical parameter boiler burning coal dust.

Elaborated studies for project support :

- Prefesability study:
  - i.carried out by ISPE SA Bucuresti, August 2005
- Fesability study :
  - i. carried out by BP and ISPE SA Bucuresti, Ianuarie 2010

Estimated duration for project implementation: **2013 ÷ 2018**

Romanian participation:

Foreign participation :

7. **Estimated project value:**

TOTAL : 912 mil. Euro where from :

- **Public-private partnership : 912 mil. Euro**

8. **Production and distribution after project fulfillment:**

9. **Environment protection:**

Installing a new high power unit at Energy Complex Rovinari will ensure the new unit's operating in the limits admitted by the European Union for polluting emissions and will contribute in reducing the CO_2 emissions on national level through its higher efficiency.

10. **Conclusions regarding project implementation efficiency:**

Economic effects :

The National Energy Developing Strategy aims to be part of the in the Strategy of Sustainable Development of the Romanian Economy.

The worldwide actual tendency to develop new facilities on coal with high and very high power does justify the carrying out of such investment which has low specific installing costs and the installing of costly environmental protection equipment is given an economic reason.

Credit returns period and sources :

Investment recovery :

Other efficiency improvements :

General Manager,
Dr.ing. TROTEA TIBERU

SC Complexul Energetic Rovinari SA
Contact person : Investment Director Mr. TUDORESCU VASILE
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ROMANIA
Ministry of Economy, Trade and Business Environment

PRESENTATION SHEET
Concerning the Investment Project

Green Brown Field project for building New 500 MW unit at Craiova Power Complex – Işalniţa TPP

1. Background:
1.1 Business activities:

Production of electric power - 3511
Extraction of inferior coal - 0520

1.2 Commercial association with other companies or Joint venture:
Not applicable

1.3 Ownership:

Romanian state by METBE	- 71,39%
Fondul Proprietatea	- 24,36%
Societatea pentru Inchiderea si conservarea Minelor	- 2,08 %
Termoelectrica	- 2.17 %

1.4 Established: April 01, 2004

2. Basic economic elements:
2.1 Social capital: 258.712.030 lei
2.2 Turnover: 1.132.424.788 lei at December 31, 2009
2.3 Production capacities and their load:

No.	Production capacity		Usability
Islanita TPP			
1	Steam boiler, Unit 7	K7A	57,2
		K7B	61
2	Steam boiler, Unit 8	K8A	73,8
		K8B	75,4
3	Steam tirbine, Unit 7		89,5
4	Steam tirbine, Unit 8		88,5
Craiova II CHPP			
1	Steam boiler, Unit 1		84,8
2	Steam boiler, Unit 2		83,5
3	Cogeneration Turbine, Unit 1		84,8
4	Cogeneration Turbine, Unit 2		83,5

2.4 Number of employees: 2299

3. Market: internal

The sale of power is performed on:

• first, on the regulated contracts market, managed by ANRE (Romanian Energy Regulatory Authority);

• second, on the centralized market of bilateral contracts organized by the Romanian Power Market Operator (OPCOM);

• third, on the retail market at the level of eligible consumers;

• fourth, on the day-ahead market (DAM).

Heat:

The heat production is sold to the Public District Heating Company of Craiova and to some industrial customers from Craiova.

4. Raw materials supply:

-90% lignite

-10% natural gas / 10 % fuel oil

Sources:

-for lignite – Prigoria open-pit mining and SNLO

-for natural gas - S.C. Distrigaz Sud Bucureşti S.A.

-for fuel oil – OMV and Arpechim

5. Recognition by the international financial organizations:

Craiova power Complex has been audited from financial-accounting point of view by KPMG and the activities it was positively appreciated.

EURELECTRIC - The Union of the Electricity Industry , where our company is the representative company for Romania in EURELECTRIC Evaluation Structure by the company members in committee and work groups.

CNR-CME – Romania National Committee of The World Energy Council, where our company is the representative company from Romania in Cleaner Fossil Fuel Systems Committee.

6. Project objective

6.1 The description of the location and facilities.

Isalnita TPP is a branch of S.C. Complexul Energetic Craiova S.A., placed in Dolj County, in Isalnita, of 10 Km NV from Craiova, on E70 road Craiova – Drobeta Turnu Severin.

The investment will be realized on Stage I site in Isalnita TPP.

6.2 Project overview:

The achievement of 500 MW Unit, including flue gas desulphurization plant, using modern technologies, in accordance with European law provisions regarding the environmental protection.

6.3 Elaborated study for project support:

The Pre Feasibility Study has been made by ISPE Bucharest.

6.4 Estimated duration for project implementation: the preliminary date for project starting is 2013 year and the estimated period for accomplishment is 4 years.

6.5 Romanian participation: Pre-Feasibility and Feasibility Studies, financial – by using own founds, utilities

6.5 Foreign participation: financial, design, equipment, know - how, erection, technical assistance etc.

7. Estimated project value: 800 mil. EUR

7.1 Estimated value for financing of project:

Financing sources: Brown Field Investment; Public-private Partnership (PPP)

8.Production and distribution after project fulfillment:

The production made by the new unit will be delivered on en-gross electricity market, being at competitive level he may be address to regional electricity market and thus, the CEN Craiova position on the market will be consolidated.

9. Environmental protection

The energetic Unit will be in accordance with the level of emissions provisions by the European laws.

10. Conclusions regarding project implementation efficiency

10.1 Economic effects: increasing the production capacity, increasing the productivity, reducing the raw materials, materials, energy consumption, and costs, increasing the profit

10.2 Credit returns period and sources

10.3 Investment recovery

20 years

10.4 Other efficiency improvements

The proposed project has some advantages, namely:

- creates the possibility of a profitable activity of the company. In this way the producer becomes competitive in the liberalized electricity market.
- ensure the classification of functioning of the new energetic unit within the limits allowed by EU for emissions and help to reduce CO2 national through higher level of energy efficiency.

11. Other relevant information regarding the project.

This project is included in National Energy Strategy for Sustainable Development of National Power Grid for 2011-2035, leading to eficient usage, compliance with environment protection, of primary intern resources of energy – lignite from Oltenia area.

GENERAL MANAGER

Constantin Bălăşoiu

Company: COMPLEXUL ENERGETIC CRAIOVA S.A.
Development and Marketing Direction
Strategy Marketing Department

Romania
Ministry of Economy
No.152 Victoriei Way, sector 1
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PRESENTATION FILE
"PEOP Constanța-Trieste pipeline" Investment Project

6. Project Objective

6.1 Project description

Initially, the construction of a new pipeline between Romania and Italy was studied by ENI Company from Italy, which had realized a prefeasibility study in 1996. After that, the idea was taken over by the Romanian side, within the "Romania at Cross ward" Forum. Therefore, in 1999, upon a grant of 650,000 $ US awarded by USTDA (United States Trade and Development Agency) Romania ordered to HLP – Parsons from USA a feasibility study for a route that crossed Romania-Hungary-Slovenia and Italy. This study has been realized but nothing was done concretely.

During 28-29 July 2001, in Beograd was held a meeting among Romania, Yugoslavia, Croatia, having as objective preparing and signing the final version of the Protocol for establishing an Interstate System for Oil Transport from Constanța (Romania) to Omisalj (Croatia).

During 25-26 June 2003, in Bucharest, took place a meeting for establishing the Interstate Committee.

In March 2004, after a 2,1 million E financing action received from Phare Funds and after the development of an international bidding, Romania, represented by the Finance Ministry signed the contract with the consortium managed by Hill International in order to elaborate the Feasibility Study. As the money was awarded to Romania, the study had to mainly refer to the Romanian part of the pipeline route, but obviously contains viable general character elements from the whole pipeline (the marketing study, the technical and economical part). The consultancy team was coordinated by Brian Minty.

On the occasion of the Interstate Committee reunion held in October 2004 in Bucharest, upon Romania proposal, the project was called PEOP, in order to emphasize the European character and not the regional one.

-The market analysis realized within the Feasibility Study established that 3 transporting capacities must be taken into consideration (40 million tons annually, 60 million tons annually and 90 million tons annually).

- **The total length of the Constanța – Trieste pipeline is 1319 km, of which 649 Km stretched on the Romanian territory;**
- **Diameter -42 inches for 40 million tons annually, 48 inches for 60 million tons annually and 2x42 inches for 90 million tons annually;**
- **Pumping stations: 3 in Romania, 1 in Serbia, 2 in Croatia;**
- **Investment costs -1.646 billion $ for 40 million tons annually, 2.019 billion $ for 60 million tons annually and 3.050 billion $ for 90 million tons annually (for the level of the year 2004).**

The general conclusion is that the project is technically, economically feasible and competent comparing with similar projects.

During 2005 and 2006, the main problems debated along the Interstate Committee were: setting up of a Project Development Company and signing an Agreement Memorandum among the 5 states (Romania, Serbia, Croatia, Serbia and Italy). The Memorandum expressed the 5 government engagement to support CDP (Project Development Company) and to accelerate the project implementation.

But neither the Memorandum has been signed, nor the CDP has been set up.

On April 2007, in Zagreb was signed a Ministry Declaration, a document with a less juridical power than the Memorandum, which stipulates the fact that the 5 states governments will support the project but involving no obligations. This Declaration was countersigned also by Andris Piebalgs who is the European Commissioner for Energy.

On February 2008, during the Interstate Committee meeting held in Bruxelles, was decided the setting up of the Project Development company, with social headquarters in London.

On March 2008, in Zagreb, the representatives of 4 companies, namely: Janaf from Croatia, Transnafta from Serbia, Conpet and Oil Terminal from Romania, prepared the final form of the "Shareholders Agreement". This document stipulates the setting up of a company Pan – European Oil Pipeline Project Development Company (PEOP-PDC) having a share capital of 210,000 pounds sterling (2,100 shares carrying a par value of 100 pounds sterling). The shareholders of PEOP-PDC are the following:
Janaf – Croatia - 700 shares, Transnafta – Serbia – 700 shares, Conpet – Romania- 350 shares and Oil Terminal – Romania-350 shares.

Italy and Slovenia hasn't nominated any company in order to participate as share holder.

On April 208, in Bucharest, the Interstate Committee approved the document which was signed by the four companies representatives. The company was registered in London in June 2008 by the Stephenson Harwood law firm headquartered in England.

On 10 July 2008, the 4 companies representatives signed in Zagreb the Constitutive Deed and a Management Committee was appointed.

According to the signed deeds, the Management Committee, must appoint a PDC General Manager who must prepare and submit for approval to the Management Committee, the company budget and the Activities Plan.
The Activities Plan had to culminate in organizing within a year since the setting up, an Investment Conference in order to attract potential investors.

After 3 meetings (Ploieşti-September 2008, Beograd-October 2008 and Constanța 2008), the Management Committee wasn't able to reach to an agreement regarding the nomination of the general manager.

On 20 May, in Beograd, took place the second reunion of the Shareholders Meeting and the fifth meeting of the Directors Board of PEOP-PDC. This time, was approved the modification of the provision stipulating that the Investment Conference organizing is to be done within a year since the company registration as this term expires in June 2009, leaving in the Board of Directors responsibility to establish the date. The opening of the account was announced at RBS bank, and the term for paying –in the capital was fixed for the date of 15 June 2009.

Conpet owns 350 shares carrying a par value of 100 pounds sterling, so its paid-in capital value is of 35, 000 pounds sterling.

Within the month of July 2009, Janaf Company from Croatia made a notification regarding the cancellation of any activity related to the PEOP Project, on an indefinite time basis.

A new PEOP-PDC Board of Directors Meeting took place at Bucharest, in January 2010. Janaf Company representatives proposed Janaf's entry into hibernation, reckoning that, due to Slovenia and Italy's failure to participate to the project, as well as the economic turn in the market, the project bears a high degree of risk. Moreover, Croatia removed its representatives from the Shareholders' Assembly and the Board of Directors of the PEOP-PDC Company.

Romania and Serbia disagreed with this position and supported the need to continue the project, considering that it also bears interest for other countries in the Caspian Region (Kazakhstan, Azerbaijan) whose representatives took part to the meeting held in Bucharest.

In February 2010, a new PEOP-PDC Board of Directors Meeting took place in Belgrade, on which occasion the representatives of the companies from Romania and Serbia re-stated their determination to continue the project. The Serbian party expressed the interest on constructing a pipeline, in a first stage only up to Pancevo. This idea can be materialized only by using, along Constanta - Pitesti section, the national pipeline transport system operated by CONPET and constructing a new pipeline between Pitesti and Pancevo. Moreover, it has also been advanced the possibility of closing down the company from London and the setting up of a new one, or the transfer there of into another location, in view of costs reduction.

The PEOP-PDC BoD Consultative Meeting took place at Ploiesti, on May, 19th 2010. On this occasion there have been discussed several organizational issues, the most important relating to the preparation of an official notification to be sent to Janaf Company. Based on this letter, the Croatian company will be requested the payment of its corresponding participation quota to the share capital of the PEOP-PDC Company. The further steps to be agreed upon depend on the response received from Janaf Company.

ROMANIA

SIBIU County,
MEDIAŞ City,
C.I. Motaş Square, no.1
www.transgaz.ro

PRESENTATION SHEET OF THE"NABUCCO" INVESTMENT PROJECT

1. BACKGROUND:

1.1 Scope of activity:

The scope of activity for TRANSGAZ SA is the transmission, dispatching and international transit of natural gas, research and design in the field of gas transmission.
TRANSGAZ SA is the technical operator of the National Transmission System (NTS) in Romania and is responsible for its operation under conditions of quality, safety, economical efficiency and environmental protection. The right to operate the NTS was granted to the company by the National Agency for Mineral Resources based on the Concession Agreement signed for a period of 30 years (2002-2032) and the transmission License no. 40 dated January 17th 2001, valid for 15 years.

1.2 Associations with other trading companies or partnerships in joint ventures:

In February 2004 a Study Company was established – "NABUCCO Company Pipeline Study" GmbH" with the headquarters in Vienna, Austria, having as shareholders both TRANSGAZ and other four companies involved in the gas transmission activity, that is: BOTAS, Turkey, BULGARGAZ, Bulgaria, MOL, Hungary, OMV, Austria. On October 12th, 2005 the Austrian Register of Commerce registered the changing of the company's name from "NABUCCO Company Pipeline Study" GmbH" to "NABUCCO Gas Pipeline International GmbH" (NIC) and the extension of its scope of work. On February 5th, 2008 within the NABUCCO Extraordinary General Assembly of the Shareholders, the accession papers of a new shareholder, i.e. RWE Gas Midstream GmbH, headquartered in Germany, were signed.

Consequently, the new shareholding structure is as follows:

- **BOTAS BORU HATLARI ILE PETROL TASIMA AS, Turkey – 16.67%**
- **MOL, MAGYAR OLAJ-ÉS GÁZIPARI RT., Hungary – 16 .67%**
- **SNTGN TRANSGAZ SA, Romania – 16 .67%**
- **BULGARIAN ENERGY HOLDING EAD, Bulgaria – 16 .67%**
- **OMV GAS & POWER GMBH, Austria – 16 .67%**
- **RWE SUPPLY & TRADING GMBH, Germany – 16 .67%**

1.3 Shareholding structure of Transgaz

SHARE CAPITAL:

- 73.51 % - Romanian state through the Ministry of Economy, Trade and Business Environment

- 15.00 % - PROPRIETATEA SA Fund

- 11.49 % -Free- float traded on Bucharest Stock Exchange

The Ministry of Economy, Trade and Business Environment, as the main shareholder representing the state in TRANSGAZ SA, exercises all rights deriving from such capacity.

1.4 Incorporation Date:

The National Gas Transmission Company, TRANSGAZ S.A. was founded based on Decision no. 334/04.05.2000 of the Romanian Government on the restructuring of the National Gas Company "ROMGAZ"SA.
Following such restructuring, by the accounting unbundling of the regulated gas transmission activity under Article 101 (1) of further amended and supplemented Gas Law no. 351/2004, approved within the Shareholders' Extraordinary General Assembly no. 9 dated July 26th, 2007, TRANSGAZ' activity is performed by 9 10 Gas Transmission Regional Operating Centre, out of which 1 is the center of transit activity independent divisions, directions and departments.

1.5 Description of the investment placement and facilities:

The NABUCCO pipeline shall cross the Romanian territory, the entry point being at DOLJ County, while the exit point in the vicinity of NADLAC city, Arad County. The route of the gas pipeline comes across a series of geographical units, such as plains, hills and mountains and several obstacles: 59 water streams (e.g. the DANUBE, JIUL, MURES rivers), 16 main roads, 30 public roads, 62 country roads, 12 railways.

In Romania, the pipeline shall be served by the following technological units:

- **1 compressor station;**
- **import gas stations (in the Craiova and ARAD-NADLAC region);**
- **1 fiscal gas metering station (in the ARAD-NADLAC region)**
- **Shut-off valves along the pipeline route;**
- **PIG launching-receiving stations.**

2. BASIC ECONOMIC DATA:

2.1 Share capital: lei 117,738,440 (on December 31st, 2009)

2.2 Turnover: Lei 1,187,350,293 (on December 31st, 2009)

2.3 Production capacities and their usage degree:

TRANSGAZ SA is also the operator of the international gas transit system on the Romanian territory, operating a 1000 mm diameter pipeline and 2 1200 mm diameter pipelines, both being 190 km long, through which the gas transit is conducted from the Russian Federation to other Balkan and South Easter European countries.

2.4 No. of employees: 4,990 (on December 31st, 2009)

3. MARKET:

Domestic: TRANSGAZ SA, according to the provisions of the current legislation, assures the non-discriminatory access to NTS of all economic agents, within the limit of available capacities, based on tariffs in consideration for gas transmission services, according to methodologies set by the National Energy Regulatory Authority (NERA).

External: The current technical capacity for importing gas is of about 12.78 bcm/year through ISACCEA (South East of Romania) and SATU MARE (North of Romania), but the quantities imported so far are under the above mentioned technical taking-over capacity.

4. SUPPLY OF RAW MATERIAL AND EQUIPMENT:

The raw materials and the equipment necessary for TRANSGAZ' activity are mainly of domestic origin.

State-of-art equipment and installations specific to TRANSGAZ gas transmission activity are purchased from abroad.

5. ACKNOWLEDGEMENTS BY INTERNATIONAL FINANCIAL OGANIZATIONS:

The oil and gas sector has benefited from the financial support of the World Bank, following the loan for structural adjustment which makes the object of the Loan Agreement concluded in 1994 between the Romanian Government and EBRD for the Financing of the Project for Rehabilitation and Restructuring of the Romanian Oil Sector.
In 2007, Standard and Poor's Rating Agency rated TRANSGAZ to BB+ positive outlook; in February 2008 SNTGN Transgaz S.A. was rated to BBB- negative outlook, reaching the "investment grade" level; and in October 2008, as a result of the downgrading of the Romania's country rating, SNTGN Transgaz S.A. was rated to BB+ negative outlook.
As a result of the auditing process carried out on within the year 2010, Standard & Poor's Rating Agency rated Transgaz S.A. to BB+ negative outlook for loans in foreign currency and BBB- negative outlook for loans in national currency. Transgaz rating has remained unchanged under the conditions in which Romania's rating has been kept at the same level.

6. PROJECT OBJECTIVE:

6.1 Project description:

The building of the gas transmission pipeline from the Caspian Region and Middle East to Western Europe, on the territory of Turkey, Bulgaria, Romania, Hungary and Austria.
The NABUCCO pipeline system consists of:

• The main NABUCCO pipeline (section BAUMGARTEN-SIVAS);

• Gas feeder lines from Georgia and Iraq;

The feeder lines shall ensure the transmission of natural gas from the Georgian-Turkish and Iraq -Turkish border to Sivas (Turkey), the starting point of the NABUCCO pipeline. The main NABUCCO pipeline shall transmit gas through the centre of Turkey and shall under-cross the Marmara Sea, and then it shall progress through Bulgaria, Romania, and Hungary up to BAUMGARTEN, Austria.
All along this route, gas shall be delivered to each country crossed by the transmission pipeline.

In Romania, the pipeline shall cross the administrative territory of 5 counties: DOLJ, MEHEDINTI, CARAS-SEVERIN, TIMIS, and ARAD. In Romania, the pipeline shall cover approx. 469 km.

***The technical description*, according to the Owner's Engineer Report:**

- **Total length of the pipeline is of 3834 km and consists of:**
- **The main pipeline BAUMGARTEN (Austria) to Sivas (Turkey) - 2,431 km, of which: Turkey – 1,118 km; Bulgaria – 412 km; Romania – 469 km; Hungary – 384 km; Austria – 48 km; feeder-line from Georgia – 703 km ; feeder-line from Iraq – 700 km,;**
- **Diameter of the main pipeline – 56 inch (1400 mm);**
- **Steel used – X70 or X80 according to the API 5L standard;**
- **Wall thickness – 20-36 mm;**
- **Working pressure – 100 bar;**
- **Compression – 11 compressor stations (based on the flows);**
- **Transmission capacity – 25.5 (base case scenario), 31 bil. Ncm/year (high case scenario).**

6.2 Studies drawn up to support the Project:

1. ***The Economic and Market Study*** **prepared by BOSTON CONSULTING GROUP – AUSTRIA – completed on July 15th, 2003.**

2. ***The Technical Feasibility Study*** **prepared by CB&I JOHN BROWN – GREAT BRITAIN - completed in December, 2004.**

3. ***The financial study*** **prepared by ABN AMRO – GREAT BRITAIN – the first stage related to the feasibility phase was completed on February 28th, 2005, when the financial adviser issued the Feasibility Study Report.**

4. ***Market survey for capacity allocation*** **in NABUCCO Pipeline was a process run on non-binding basis (as a simulation in view of upcoming open season), in order to obtain information on a high level-basis and feedback from potential shippers. The market survey process was successfully performed and even if it was not run on a binding base gave us a positive feedback from the potential shippers.**

5. ***Front End Engineering Design Study*** **(FEED) developed by 5 Local FEED Engineers in all transit countries, coordinated by an Owner Engineer. This study is ongoing.**

6.3 Estimated project duration:

•2008-2011 - the development phase including the beginning of design works

•2011-2014 - the building of the pipeline and of its related equipment.

6.4 The Romanian share in the achievement of the Project:

The Romanian share in the achievement of the project: the share capital of the "NABUCCO Gas Pipeline International Company" was constituted by the 20 % share of each of the five constituting companies.
By the accession of the new shareholder, RWE Gas Midstream GmbH Germany achieved by signing the accession papers on February 5th 2008, the participation shares in the share capital changed from 20% to 16 .67% so that its shareholder an equal participation share to the share capital of NABUCCO Gas Pipeline International Company.

The currently TRANSGAZ'S participation in the project is of 16.67%. Currently the Consortium (NIC) is open to other potential shareholders to join the NABUCCO Project.

6.5 External share:

• BOTAS BORU HATLARI ILE PETROL TASIMA AS, TURKEY – 16 .67%

• MOL, MAGYAR OLAJ-ÉS GÁZIPARI RT., HUNGARY – 16 .67%

• BULGARIAN ENERGY HOLDING, BULGARIA – 16 .67%

• OMV GAS & POWER, AUSTRIA – 16 .67%

• RWE SUPPLY & TRADING GMBH GERMANY – 16 .67%

The “NABUCCO Gas Pipeline International Company” concluded a Grant Agreement with the European Commission on the granting of a non-refundable loan for the design stage. In March 2010 European Commission approved the grant (within the EUROPEAN ENERGETIC PROGRAMME FOR RECOVERY) for NABUCCO Project, in amount of 200 million EUR, for procurement contracts Long Lead Items under the following conditions: concluding of contracts before the end of 31.12.2010 and spending occurs not later than mid of 2011.

7. ESTIMATED VALUE OF THE PROJECT:

7.1 Estimated requirements to finance the investment:

The total value of the investment costs – CAPEX (according to the Technical Feasibility Study) amounts to EURO 4,591 million (2004 costs). These costs were updated for 2008 by the Consortium, generating a CAPEX of EURO 7,900 million.

Such costs do not include the project financial costs over the construction period (interests, fees, etc.).

The ratio loan/equity shall be of 70% loan, 30% equity.

8. PRODUCTION CONSEQUENTLY TO THE PROJECT FULFILMENT:

9. ENVIRONMENTAL PROTECTION:

As part of the FEED phase, a holistic ESIA study is being developed for the International Financial Institutions. Simultaneously, national EIA studies are being carried on by the Local FEED Engineers with a view to obtain the relevant National Environmental Permit.

10. CONCLUSIONS ON PROJECT IMPLEMENTATION EFFICIENCY:

10.1 Economic and social effects:

- Stimulating the competition on the domestic natural gas market, diversifying the market structure and assuring a competitive pricing for the imported natural gas;
- Consolidating Romania’s role as a transit country for the major energy transmission corridors to the markets in Central and Western Europe;
- Increasing the security of natural gas supply and diversifying the natural gas supply sources, reducing Romania’s energetic dependence;
- Connection to the important natural gas reserves from the Caspian region and Middle East;
- Increased employment will trigger additional demand for consumer goods, with positive effects on the economy;
- Long term positive economic effects by increasing the gross domestic product in each country crossed by NABUCCO Pipeline;
- Increased tax revenues for Governments;
- Stimulation of the related industry by involving Romanian companies for providing various products and services and thus creation of new jobs in these sectors.

10.2 Period of loan and sources reimbursement:

Reimbursement period: 18-25 years

Sources: International Financial Institutions (IFC, EBRD, EIB), export credit agencies and commercial banks. The financing shall be obtained based on the consultants' lenders assessments over the project and with support of the financial consultant HSBC from Great Britain.

10.3 Duration of invested fund recovery: 15 years

10.4 Other data on the reckoned efficiency of the project:

The target Internal Rate of Return (IRR) was set for 13% after the taxation.

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AGRI Project (Azerbaijan-Georgia-Romania Interconnector)

- Represents a new way for Romania to access the energy resources of Caspian Sea region.
- AGRI involves the transport of Azeri natural gas through Georgia and crossing the Black Sea, based on LNG technology, by building of two terminals (liquefaction, respectively deliquefaction) in Georgia and Romania. Transport capacity envisaged, at this time, amount to 8 billion cubic meters gas/year.
- Starting with autumn 2009, Romania has taken vigorous action towards obtaining political support for the project so that, at present, it is supported by Azerbaijan and Georgia and welcomed by EU and U.S.
- On April 13, 2010 was signed in Bucharest the "Memorandum of Understanding on Cooperation in LNG field and transport of natural gas", between the Ministry of Economy, Trade and Business Environment from Romania, Ministry of Industry and Energy from Azerbaijan Republic and Ministry of Energy from Georgia. Through this MOU, the Parties have committed to support the creation of a project development company –AGRI- based in Bucharest, for the preparation of feasibility studies, in order to develop and implement the project, including the technical, technological, commercial, economic, financial and legal aspects.
- On May 12, 2010, the ministries of the above three countries signed in Tbilisi, the Protocol regarding the setting up of project development Company - AGRI, which was established the principles underlying its establishment and operation. The three ministries have recommended to organize and function of new Company in Bucharest, according to Romanian law, having as shareholders the National companies Romgaz (Romania), SOCAR (Azerbaijan) and GOGC (Georgia). In January 2011 Hungary has been co-opted as the fourth partner. The share of each shareholder will be 25% of the capital.
- The project was brought to the attention of the European Commission which has perceived positively such initiative and sent suggestions to Romania on principles of negotiation with Georgia's gas transit conditions in the AGRI project.
- AGRI project reflects the concerns of the governments of the three signatory countries to diversify the means and routes of transport from the Caspian region to the European Union (Southern Corridor) and represent a result of cooperation agreements concluded between the Contracting States.
- Romanian Party intends, to the end of March 2011, to finalize the procedure for establishing of the Project Development Company AGRI in Bucharest.
- Steps to go:

The approval, by the three Parties, of the Statute of the project development Company-AGRI and registered the company by the Romanian authorities. Difficulties lie in the fact that, at this moment, SOCAR is not interested in financial involvement in a project until its feasibility is not proved.

The elaboration of a feasibility study, including the identification of a financial source and support – the end of first semester 2011.

Submission of project documentation to the European Commission for financing the feasibility study using the TEN-E 2011 Program.

E.H.1.10 TARNITA-LAPUSTESTI PUMP-STORAGE HYDROPOWER PLANT (PSHPP)

PROJECT APPROVAL DOCUMENT: Memorandum of Romanian Government, approved in the meeting from 25th of March 2009

LOCATION:

- Somesul Cald River
- Cluj County

HYDROPOWER PARAMETERS:

- maximum installed capacity:	1000 MW
- hydro-mechanic equipment:	
- gmotor-generator reversible units:	
- no. of units:	4 pieces x 250 MW
- pumping cycle:	weekly
- quantity of energy generated in generator mode:	1,625 GWh/year
- quantity of energy generated in pumping mode:	2,132 GWh/year
- transformation coefficient:	0.76

INVESTMENT COST ON 1.01.2010: 1,029 million euro (VAT exclusive)

COMMISSIONING DEADLINE:

2012 - 2016, commissioning of two units, Pi = 500 MW
2017 - 2018, commissioning of the next two units, Pi = 500 MW

INVESTMENT OPPORTUNITY:

Since Tarnita-Lapustesti PSHPP has a high maneuverability and it can operate in pumping-turbine mode, it will:

- **Improve the operation mode of Cernavoda NPP units through the transfer of electric energy from idle to peak, frequency-power regulation, rapid tertiary reserve, short-run breakdown reserve;**
- **Insure optimal conditions for installing a capacity of about 2,000 MW within the wind power plants;**
- **Improve SEN's participation on the unique energy market by increasing the safety and making possible to operate it under higher technical and economic conditions.**

INVESTMENT CURRENT STATUS:

The bidding procedure for contracting consultancy services is undergoing and aims at attracting investors for setting up a Trading Company, which should invest in and operate Tarnita-Lapustesti PSHPP and where SC Hidroelectrica SA is to be the major shareholder, as in conformity with the provisions stipulated in the Memorandum approved by the Romanian Government.

FINANCING SOURCES:

The obligations, which compel SC Hidroelectrica SA, as a major shareholder, to contribute through assets and investment funds in cash, will be set up through the investors' selection process and the Articles of Incorporation of the future Trading Company.