

# Balkan and Black Sea Petroleum Association

15<sup>th</sup> of May 2021 – 15<sup>th</sup> of June 2021

BBSPA Monthly Bulletin

## Oil and Gas Prices

### Oil Price

In May 2021 US WTI spot crude oil price was around \$65/bbl.

Brent crude closed above the psychological \$70-a-barrel mark for two consecutive days for the first time in more than two years with oil demand being considered to increase in the next six months and in line with economies re-opening.

### Rigzone

### Gas Prices

The gas price at the western gas hub recently increased which was referred to the low levels of available gas in the gas storages.

Henry Hub average spot gas price in May was €12.0/Mwh.

Spot gas prices in the region in May

Desfa reference price was €25.2/Mwh

Bulgarian Gas Hub price was €21.9/Mwh

Romanian Gas Exchange price was €24.0/Mwh

Hungarian Gas Exchange price was €24.9/Mwh

CEGH spot gas price was €25.5/Mwh

### Electricity Price

#### *Romania*

The average electricity price on the Romanian spot market for April was 62 EUR/Mwh, more than two times increase compared with one year earlier, when it was 25 EUR/Mwh.

### Actmedia

### Carbon Price

According to European Energy Exchanges, the use of contracts for difference (CCFDs) to encourage clean technologies in emission intensive industries would undermine Europe's

carbon market and would lead to short- and long-term market distortions reducing the effectiveness of the price signal as an investment driver.

[Montel](#)

## Gas Demand, Supply and Trade

### *Bulgaria*

Bulgargaz said that has explored all possible alternative routes for delivery of gas to Bulgaria and the only such possibility was at the point of connection of the Greek network in the TAP gas pipeline of Nea Mesemvria, which serves mainly the supply of Azeri gas to Greece. In the conditions of a competitive tender, Bulgargaz reserved the maximum possible capacity for access and transfer of quantities from the entry point Nea Mesemvria to the exit point of the Tower-Sidirokastro. The quantities of Azeri gas that Bulgaria receives on the alternative temporary route are smaller than those that the company would receive on the main route of IGB, but are the maximum possible.

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### *Romania*

The European commission has approved the allocation of 216 million euro from the cohesion fund to Romania to support the rehabilitation of the heating network in Bucharest for replacing 212 km of pipelines in order to reduce the current loss of 28% of heat.

[Seenews](#)

The Romanian-Kazakh Energy Investment Fund (KREIF) launched the construction of a gas fired cogeneration plant on the Petromidia refinery for 80 MW, 25% of which will be used for technological needs and 75% will be used for the supplies to the country.

[Seenews](#)

### *Serbia*

Serbian government will support gasification by issuing guarantees to loans to Srbjagas.

[Seenews](#)

### *Turkey*

Turkey's gas imports increased by 47.8 percent in March y-o-y to 5.82 billion cubic meters from approximately 3.94 bcm for the same month of 2020, In March 2021, the country imported 4.50 bcm of natural gas via pipelines, while 1.30 bcm was purchased as LNG, This marked an increase in pipeline gas imports of 140.8 percent while LNG imports fell by 36.2 percent.

[Hurriyet Daily](#)

Turkey's Black Sea gas discovery will be open for trading from Oct. 1 this year at the Energy Exchange Istanbul (EXIST), while production from the Sakarya field is planned to start by 2023.

[Hurriyet Daily](#)

### *Hungary*

Hungary Foreign Ministry has signed a 15-year gas supply agreement with Gazprom to take effect as soon as its existing deal expires in September. Hungary has diversified gas imports in recent years, opening cross-border interconnectors securing gas deals, including one with Shell via a liquefied natural gas port in Croatia. The quantities were not disclosed while pricing was quoted to be flexible with details to be specified. Gazprom supplied 11.26 Bcm in 2019, including 1.33 through WIEE Hungary and 0.78 Bcm through MET International.

[Reuters, Gazpromexport](#)

### Ukraine

Russia recently stated that the gas transit agreement between Russia and Ukraine will remain in force to the entire period of its validity and even after the expiration of the agreement in 2024, Russia does not intend to abandon Ukrainian transit.

[Interfax](#)

## **Electricity Market**

### *Romania*

16% of Romanian household electricity customers and 10% of household gas customers exhibited their rights to change or confirm the current supplier since the start of the liberalization of the market from 1 January.

[Ergonomics](#)

## **Coal Fired Power Plants**

### *Bulgaria*

The Maritza Iztok 2 State Coal TPP has further deteriorated its financial situation due to the rising cost of carbon emissions. The loss of the company for 2020 was reported to be EUR 174 million. In 2019, the company's pre-tax loss was EUR 107 million. Electricity sales fell 43.6% compared to a year earlier. The plant sells part of the quota to its owner – Bulgarian Energy Holding, in the form of a loan, which was reported to have reached 368 million EUR.

[3re-news.net](#)

### *Romania*

Romanian coal and power group CE Oltenia announced EUR 180 losses for 2020 when its incomes shrank by one third.

[Actmedia](#)

## Decarbonisation

### *EU*

The European Council reached a general approach on the revision of the Trans-European Networks for Energy (TEN-E) Regulation to help the EU achieve its 2050 climate neutrality objectives. The revised Regulation updates the infrastructure categories eligible for support with an emphasis on decarbonisation and adds a new focus on offshore electricity grids, hydrogen infrastructure and smart grids.

The Council, in its position, decided to end support for new natural gas and oil projects and to introduce mandatory sustainability criteria for all projects. During a transitional period until 31<sup>st</sup> December 2029, dedicated hydrogen assets converted from natural gas can be used to transport or store a pre-defined blend of hydrogen with natural gas or biomethane. Selected projects shall demonstrate how, by the end of this transitional period, these assets will cease to be natural gas assets and become dedicated hydrogen assets. It was decided electrolyzers of at least 100 MW capacity to be attached in a project with production of green hydrogen with requirements of a fixed amount of greenhouse gas emissions savings.

### [EU](#)

#### *Romania*

Romanian energy ministry said that Romania's target is to have of 30.7% green electricity by 2030 with new installed renewable energy generation installations of 6.9GW. The electricity transmission company Transelectrica warned that the concentration of the renewable energy capacities in the eastern part of the country will need strengthening the existing grid or implementing new technologies. The existing grid already operates at full capacity at the moments when the wind blows.

### [Romania insider](#)

Romanian energy ministry recently stated that a hydrogen strategy is needed according to which all gas fired plants should be prepared to use methane mixed with hydrogen.

### [Energynomics.ro](#)

Romanian energy ministry said all the gas power plants that will apply for financing in the next period must be prepared for the use of hydrogen mixed with methane gas.

### [Actmedia](#)

A partnership between Romgaz and ExxonMobil in the field of carbon storage in underground storage facilities was recently discussed.

### [Actmedia](#)

According to the country's official recovery plan, Romania will exit coal by 2032 at the latest and pass a law by mid-2022 to address the closure of mines and adopt socio-economic measures to support coal communities and the reskilling of workers

[Actmedia.eu](http://Actmedia.eu)

### *Bulgaria*

Bulgaria's Varna thermal power plant said that it plans to build two Siemens SGT5-2000E steam-gas combined cycle units of 275 MW each to replace decommissioned units - a project worth an estimated 450 million euro to become operational by 2025,

[Seenews](#)

According to Rystad Energy, BP and Total have the biggest announced renewables targets to 2030 of 50 GW of capacity, more than twice as much as the targets of Eni, Shell, Equinor, and Repsol. Chevron's target is under five GW with U.S. majors retaining oil and gas as a larger share of their portfolios than their European counterparts.

[Riqzone](#)

The ministry of energy of the provisional government announced plans for gradual transition from coal to gas of the three coal-fired power plants in the Maritsa coal complex - Maritza Iztok 2, Contour Global Maritza Iztok 3 and AES TPP Maritza Iztok 1.

The plans envisage preservation of the assets with using gas till 2029 and exclusion of gas after 2029 with using green energy and hydrogen. But first the approval at national level, and then from the European Commission should be received. The implementation of the option to switch to natural gas must begin as early as 2022. A specific agreement has been reached for gas capacities of 1.5 GW, which will be distributed through tenders,

The ministry sees a possibility to benefit for grant and bridge financing of 700 million euros from the EU Recovery Plan. The plants will have to participate in the transition with 40% own funds. The coal-to gas plan is being prepared by the government and will be included in the Plan for Recovery and Resilience to be submitted to the European Commission.

Recommendations will be prepared for the next Parliament after the Parliamentary elections on 11 July .

[3e-news.net](#)

### *Turkey*

Turkish energy ministry said that Turkey is far behind in per capita carbon emissions and it would never be right to expect to share the same burden. The discussions on the Paris Climate Agreement is an opportunity to re-determine the status of the countries within this agreement, to create a stronger synergy with a more accurate classification and responsibility sharing. Turkey is applying its national action plan to reduce global greenhouse gas emissions with great care. Ministry of energy of Turkey said that installed power capacity of renewables in the country reached 50 thousand megawatts or half of total in the country.

[Hurriyet Daily](#)

## Legal and Regulatory Framework

### *Bulgaria*

Bulgarian energy sector is preparing for the liberalization of the electricity market of the non-household customers starting from 1 July 2021. Up to this date non-household customers connected to a low-voltage electricity distribution network are obliged to choose their supplier on the free electricity market and apply to the corresponding electricity distribution company.

[Ministry of energy of Bulgaria](#)

## Pipelines and Supply Options

### *Nord Stream 2*

The US administration waived sanctions on the company behind Russia's Nord Stream 2 gas pipeline. The State Department previously had imposed sanctions on four Russian ships, including the Akademik Cherskiy, which began pipe-laying for the project in Danish waters in April.

Nord Stream 2 was quoted to have been 95% completed.

[Actmedia, Hurryiet Daily](#)

### *IGB*

Ministry of Energy of Bulgaria inspected the progress in the construction of the interconnection Greece – Bulgaria and insisted on full mobilization to compensate for the accumulated delay in building the pipeline. At this moment the biggest challenge of the project is the crossing under the Maritsa River and under the Studen Kladenets Dam. The contractors from J&P AVAX SA confirmed their commitment to meet the last agreed deadline for completion of construction and commissioning of the connection. According to this deadline, the commercial operation of the IGB should start from the middle of next year, after the construction of the connection is completed by the end of 2021.

The start of the Greek-Bulgarian IGB gas pipeline has been delayed by 8 months, for June 30, 2022, as a result of pandemic-related obstacles faced during the project's development.

The Greek company Avax has received a letter from Bulgarian ministry of energy of the provisional government that if the company will not complete the project by December 31, 2021, it will be fined 90,000 euros a day. The money will be taken from the bank guarantee provided by the company. According to the latest plans the pipeline should be put into operation by the end of June 2022. The time between the completion of the construction and the commissioning is provided for technical tests. Recently the energy ministry has received information that there was a delay in the delivery of components to build the connection. The completion of the interconnector was postponed last year due to the Covid-19 pandemic as well as problems with the drilling of the pipeline route under the Studen Kladenets Dam and the Maritsa River. In this situation gas supplier Bulgargaz had to import gas through the Kulata- Sidirokastro connection the gas agreed with Azerbaijan from the end of 2020.

[Ministry of energy of Bulgaria, Energypress, Mediapool.bg](#)

Bulgartransgaz ranked first 69.9 million euro offer by Canpipe BG, a company established by local subsidiaries of Canada-based Canpipe Industries International Inc., to supply equipment and build the 62 kilometres Bulgarian section of a gas link with Serbia. The tender for the gas link section attracted 11 offers.

[Seenews](#)

## Upstream

Turkey

The president of Turkey announced that 135 billion cubic meters of natural gas were discovered in the Amasra-1 well in the Sakarya Gas Field Black Sea with total natural gas discovered in the Black Sea reaching 540 Bcm. Another exploratory is envisaged to be drilled in the south or west of that field this year. The first production was announced to start in 2023.

[Hurriyet Daily](#)

## Companies

*Bulgarian Energy Holding*

According to the new management of Bulgarian ministry of energy, (part of the new provisional government until the new parliamentary elections in Bulgaria in July), the state-owned Bulgarian Energy Holding was providing support for the losing constituent companies - National Electricity Company NEK, TPP "Maritsa East 2", "Coal Maritsa East" and Toplofikacia District Heating Company Sofia (via Bulgargaz) by distribution of extraordinary dividends from profitable companies such as nuclear plant Kozloduy NPP - BGN 470 million and ESO - BGN 100.

The liabilities of the National Electricity Company NEK increased by BGN 2 billion for the period 2009 - 2020, and its main creditors are the Bulgarian state and BEH. These debts are not paid on time, but are renegotiated and rescheduled at each maturity. There is no vision of how such a indebted company will operate in a fully liberalized electricity market.

The coal-fired power plant TPP "Maritsa-East" 2 was decapitalized to a state of technical bankruptcy. The applied policy for stabilization of the company has an effect only in terms of providing financial resources for CO2 emissions, but it is not effective in the long run.

The largest gas consumer in Bulgaria and customer of Bulgargaz, the heating distribution company of Sofia, Toplofikacia Sofia, does not pay for the supplied natural gas due to the social functions of the company and Bulgargaz cannot stop the deliveries to it and accumulates significant debt This creates difficulties in paying with Gazpromexport. As a rescue measure, BEH regularly takes the debt of the district heating company towards Bulgargaz. Thus, the debt of Toplofikatsia was paid in 2015 for BGN 552.5 million, in 2018 - BGN 99.2 million, and in 2020 - BGN 110 million.

As a result of the implementation of a large-scale investment program, Bulgartransgaz liabilities to suppliers increased - from BGN 4 million in 2019 to BGN 1.152 billion in 2020. According the ministry of energy, an aggressive investment policy would be justified only if it assumes an increasing cash flows but there are doubts as to whether the publicly announced information on the profitability of the project for expansion of the gas transmission infrastructure (TurkStream extension) does not fully correspond to the truth.

[Bulgarian energy ministry](#)

*OMV Petrom*

OMV Petrom announced the closing of the sale transaction for its 100% shareholding in Kom-Munai LLP (KOM) and Tasbulat Oil Corporation LLP (TOC) in Kazakhstan to Magnetic Oil Limited. KOM and TOC hold the production licenses for four onshore fields representing 1P reserves of 21.8 mn boe accounted for 4.6% of Group reserves.

[Actmedia](#)

*Electrica*

Romanian electricity distribution and supply company Electrica, decreased the profit for Q1 2021 by 27.5% compared with last year due to the liberalization of electricity market. While distributed volumes increased by 5.4%, the retail supplied electricity fell by 2%.

[Actmedia](#)

*Shell*

Shell Bulgaria is seeking approval to acquire five filling stations in Bulgaria. Currently, there are around 100 filling stations under the Shell brand in Bulgaria, part of which operate under franchise agreements.

*Nuclearelectrica*

Romanian nuclear power producer Nuclearelectrica recorded a net profit of in the first quarter of 2021, up 9% compared to the same period of last year due to the higher electricity prices on the free market, given that power production was 6.6% lower than in the first three months of 2020. Nuclearelectrica made more money from electricity sales mainly because it was able to sell more of its output on the free market, after the retail electricity market was liberalized in January 2021.

[Romania insider](#)

*Mazarine*

Mazarine Energy said that it has an interest for geothermal projects in Romania. The company will stop oil production from tree fields near Bucharest to use them for geothermal projects

[Serbia energy](#)

*Romgaz*

Romgaz plans to invest 3.18 billion EUR until 2025, the biggest part in partnership for offshore projects in the Black Sea as well as 0.74 billion EUR in production of electricity.

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*DEPA*

Privatization fund TAIPED has set a July 16 deadline for binding bids concerning the sale of a 65 percent of DEPA Infrastructure. Six formations have qualified for the privatization's second

bid round: EP Investment Advisors; First State Investments (European Diversified Infrastructure Fund II); Italgas SpA; KKR (KKR Global Infrastructure Investors III L.P.); Macquarie (MEIF 6 Di Holdings); Sino-Cee Fund & Shanghai Dazhong Public Utilities (Group) Co., Ltd.

TAIPED has decided to delay bids for the sale of gas supplier DEPA Commercial until the third quarter of this year as a result of the company's ongoing legal dispute with ELFE (Hellenic Fertilizers and Chemicals). Seven bidders are participating in the bid for 65% of DEPA Commercial: C.G. Gas Limited (Copelouzos group); MET Holding AG; SHELL Gas B.V.; GEK TERNA; ELPE & Edison International Holding N.V.; Motor Oil Hellas & PPC; and Mytilineos.

[Energypress](#)

### *Bulgarian Energy Holding*

State-owned Bulgarian Energy Holding (BEH) recently was quoted to be at profit, in spite that it pays the high carbon emissions costs for its coal-fired power plant and on behalf of the private coal-fired power plants owned by private AES and Contour Global. Besides Maritsa East 2 coal-fired plant and Maritsa coal mines, which work at loss, the holding includes electricity and gas suppliers and TSOs which work at profit and compensate the loss. On the other hand the holding has an old debt to international financing institutions which it has to return. Such a practice of using the profit of companies working at profit to fill in the losses of the companies working at loss deprives them from the possibility to invest and deteriorates their competitiveness.

[3e-news](#)

### *Sofia District Heating Company*

US Trade and Development Agency provided a grant of 1 million USD to modernize the debt-ridden district heating company of Sofia.

[3e-news](#)

### *Schlumberger Group*

Rosneft and Schlumberger have signed a technology cooperation agreement for joint innovation projects relating oil and gas fields in Russia.

[Interfax](#)

### *LUKoil*

Lukoil said it envisages an option to finance the project for supply of gas offshore Romania. Previously the company was seeking to sell its 87.8% stake in the EX-30-Trident project.

[Interfax](#)

Romanian Hidroelectricasaid it intends to add 300 MW installed power in wind off-shore and 300 MW in wind on-shore as well as invest in production capacities for production of green hydrogen on the Danube.

[Actmedia](#)

15<sup>th</sup> of June 2021

OMV

A consortium formed by Christof MB Well, J. Christof E&P Services and MB Well Services was designated by OMV Petrom for the outsourcing some of its servicing assets like movable property, the rental of immovable property as the transfer of employees to the consortium.

[Romania insider](#)

The logo for BBSPA (Balkan and Black Sea Petroleum Association) features the letters 'BBSPA' in a bold, purple, serif font. The letters are set against a light grey rectangular background.

Balkan and Black Sea Petroleum Association

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**Editor:** Valentin Kunev; Ana Blagova

**Office:** 2 "Hristo Belchev" str., Sofia 1000 Bulgaria

**Tel:** 00359 2 986 06 85

**Fax:** 00359 2 980 15 49

**E-mail:** [bbspetroleum@bbspetroleum.com](mailto:bbspetroleum@bbspetroleum.com); [valentin.kunev@bbspetroleum.com](mailto:valentin.kunev@bbspetroleum.com)

**Web site:** [www.bbspetroleum.com](http://www.bbspetroleum.com)

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