

## NEW LEGISLATION AFFECTING COMPANIES THAT EXTRACT NATURAL GAS FROM ROMANIA'S OFFSHORE BLOCKS

On Monday, September 24, the Romanian Senate adopted the offshore law, which establishes the rules for companies that extract natural gas from Romania's Black Sea section.<sup>1</sup>

The bill has several amendments compared to the initial form that the parliament adopted in July.

The most important changes introduced in the law provide that the taxes and royalties which companies have to pay won't change during the exploitation period. In contrast, the first draft of the law contemplated progressive taxes during the exploitation period.

Another change that is advantageous to investors is that those companies which have invested heavily and which continue to invest in offshore operations, will also be able to deduct the value of their investments from the taxes owed to the state.

Finally, it is expected there will be an additional tax, which will be based upon the gas price, and that gas producers/extractors will have to sell at least half of the gas extracted from the Black Sea section back to Romania.

The offshore law still must pass through Parliament and be formally adopted by President Klaus Iohannis before becoming fully effective.

<sup>1</sup> Studies suggest that the gas reserves in the Black Sea plateau are around 200 billion cubic meters of gas. This represents tremendous exploitation potential and a significant opportunity for investors.

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