

NEW ENERGY MEASURES TO SHIELD CONSUMERS FROM RISING ENERGY PRICES APPLICABLE STARTING ON APRIL 1, 2022

In the context of the price increase on the electricity and natural gas markets at international level, as well as of the effects caused by these increases, the Romanian authorities propose a new set of energy measures aiming to support end consumers and to enhance energy poverty.

On March 8, 2022, following the invasion of Ukraine by Russia, the European Commission issued the REPower EU Communication¹ which sets out a new action plan to ramp up the production of green energy and reduce dependency from Russian gas. The EC Communication focuses, inter alia, on:

- **addressing the issue of very high energy prices;**
- **refilling gas storage for next winter;**
- diversity gas supplies via higher LNG imports;
- reducing faster the dependency on fossil fuels by rolling out solar, wind and heat pumps, decarbonising industry and enabling faster permitting of renewables.

The Romanian Government adopted an Emergency Ordinance which implements certain measures meant to address the first two of the actions set out in the EC Communication applicable to end customers in the electricity and natural gas markets between April 1, 2022 – March 31, 2023 (the „**Emergency**

Key issues

- Retail energy and natural gas prices are capped for both household and non-household consumers.
- Price of natural gas sold by producers to certain customers is capped, while suppliers and certain heat producers must comply with a minimum storage obligation.
- The 80% windfall tax on the additional income of electricity producers is extended for one additional year until March 31, 2023.
- Specific sanctions are included for the new proposed energy measures.

¹ Communication (2022) 108 of the European Commission dated 8 March 2022 - REPowerEU: Joint European Action for more affordable, secure and sustainable energy.

C L I F F O R D C H A N C E B A D E A

Ordinance²) and introduces, among others, the following measures:

CAPPED ENERGY AND NATURAL GAS PRICES FOR END CONSUMERS DURING APRIL 1, 2022 - MARCH 31, 2023

The final price invoiced by the electricity suppliers / electricity distribution operators providing electricity resale is capped at maximum of:

- RON 0.68/kWh, VAT included (for household consumers with an average monthly consumption in 2021 less than or equal to 100 kWh and for household consumers connected to the grid starting on January 1, 2022)
- RON 0.8/kWh, VAT included (for household consumers with an average monthly consumption in 2021 ranging between 100 kWh and 300 kWh);
- RON 1/kWh, VAT included, for non-household consumers, including those connected to the grid starting on January 1, 2022.

The final price invoiced by natural gas suppliers is capped at maximum of:

- RON 0.31/kWh, VAT included, for household consumers;
- RON 0.37/kWh, VAT included, for non-household consumers with an overall consumption in 2021 of no more than 50,000 MWh (including those connected to the grid starting on January 1, 2022) and for heat producers of certain consumers.

Additionally, the Emergency Ordinance regulates the **components of the final invoiced price**, as well as the criteria to be used for their determination.

If the in force contractual price is less than the maximum capped price, the contractual price shall apply.

CAPPED NATURAL GAS PRICES FOR PRODUCERS AND GAS STORAGE OBLIGATION FOR SUPPLIERS AND CERTAIN HEAT PRODUCERS

During April 1, 2022 – March 31, 2023, the natural gas producers which carry out both onshore and/or offshore extraction activities, regardless of the commencement date of this activity, as well as natural gas sales activities, have the obligation to sell the necessary natural gas quantities resulting from the current internal production activity:

- at the price of RON 150/MWh to the suppliers of household consumers (HC consumption);
- at the price of RON 250/MWh to the suppliers of the heat producers or directly to the heat producers (HT consumption).

The quantities of natural gas intended to ensure the HC and HT consumption will be exempted from the tax on the additional income obtained as a result of the deregulation of prices in the natural gas sector and from the offshore windfall tax.

² The Emergency Ordinance was adopted by the Romanian Government on 18 March and was published into the Official Gazette on 22 March.

In addition, the National Agency for Mineral Resources will issue within 10 days from the date of entry into force of the Emergency Ordinance an order determining the royalty due by natural gas producers for the quantities of natural gas covering the HC and HT consumption and also the technological consumption into the gas transmission and distribution systems.

As regards the gas storage obligation, the Emergency Ordinance provides that the suppliers of natural gas, as well as the heat producers which are direct customers of the natural gas producers, shall ensure continuity and safety in the supply of the end consumers by setting up a **minimum stock of at least 30%** of the natural gas necessary for the consumption of the end consumers from their portfolio/their own consumption between April 1, 2022 – October 31, 2022.

TAX MEASURES ON WINDFALL PROFITS

The additional income of electricity producers, as difference between the average monthly net unit income for the sale of the traded electricity and RON 450/MWh, will continue to be taxed at **80%** between April 1, 2022 – March 31, 2023. The additional income will be determined in accordance with the methodology under Annex 6 of the Emergency Ordinance.

The methodology shall be applied by all electricity producers which are subject to windfall tax between November 1, 2021 – March 31, 2022 and April 1, 2022 – March 31, 2023.

The windfall tax should be monthly declared and paid to the state budget by 25th following the month for which this tax is due.

However, the windfall tax does not apply to production capacities starting to operate after the date of entry into force of the Emergency Ordinance.

SANCTIONS

Failure to comply with the obligations regulated by the Emergency Ordinance may be sanctioned with a fine between **1% and 5% of the annual turnover** from the financial year prior to the sanction.

Delay in the declaration and/or payment of the windfall tax by electricity producers may be sanctioned with a fine ranging between RON 100,000 and RON 400,000.

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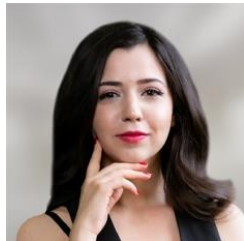
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