

## Romania passes new rules for petroleum concessions acquisitions and divestitures

**On February 27, the Romanian government enacted Government Emergency Ordinance (GEO), which amends Petroleum Law no. 238/2004 and transposes art. 2 para (2) of 94/22/EC Directive on the conditions for granting and using authorisations for the prospecting, exploration and production of hydrocarbons.**

Specifically, the GEO empowers the National Agency for Mineral Resources (NAMR) to refuse – on grounds of national security - the awarding of a petroleum concession agreement to any non-EU entity or to a company controlled by such an entity.

The GEO goes beyond awarding circumstances by enabling NAMR to use national security considerations to unilaterally terminate on-going concession agreements.

Compared to past regulations that made farm-out deals conditional to NAMR approval only, the GEO allows for any transfers of rights and obligations related to a petroleum concession agreement to be deemed null and void without government approval.

Furthermore, any change of control by a petroleum concession holder must be reported to NAMR and may lead to a concession agreement amendment, termination or approval by the government based on NAMR's recommendation.

The new rules may negatively affect the acquisitions and divestitures activity in the market, under the additional administrative requirements, however it is expected that further clarity is brought in respect to the actual process and timing to be taken into account by the market participants for such Government approvals.

In July 2019, the government initiated a public bidding round for 22 onshore and six offshore petroleum exploration blocks. Under the bid round, the newly awarded concession agreements are subject to Governmental approval upon becoming effective, as per the Petroleum Law. The round is expected to attract new investors to the market, which is one of the largest in the region, ten years after the previous bidding round finalised in 2010.

For more information on this Ordinance, contact your usual CMS advisor or CMS experts **Varinia Radu** and **Ramona Dulamea**.