



Romanian Newsletter

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Investors in green power are concerned because of the modification of the support scheme for the sector.

Over EUR 500 million worth of support scheme subsidies for this year and 4% of the 10% electricity price increase will come from the impact of green certificate system alone. The subsidies made available by the Romanian government this year will amount to EUR550 million, according to the energy regulatory authority ANRE, only to go up to more than EUR10 billion by 2020. The entire amount will be billed to electricity consumers. The modification of the support scheme focuses on two options: reducing the number of green certificates granted and reducing the value of the certificates.

The share of Romanian Internet users aged over 15 rose to 48.7% in 2012.

The survey also shows that 11% more people in rural areas used the Internet in 2012, accounting for 33% of the rural population. According to the survey, 61% of people in urban areas used the Internet in 2012, up 6.7% from 2010. Capital city Bucharest boasts the highest Internet penetration rate, with 68% people aged over 15 using the Internet. As regards age groups, the Internet is used by the young. The Internet is accessed by some 83% of people aged 15 to 24, 71% of people aged 25 to 34 and 62% of people aged 35 to 44. The survey also shows the Internet is used by 89% of people with higher education and 52% of people with medium education.

The unclear status of Romania's Rasdaq market could draw a warning from the European Commission.

It is a common goal of the bourse's council and the Romanian government to speed up the modernization process of the local capital market. The Bucharest-based Rasdaq bourse was founded in 1996 as an EU-regulated market. However, after the EU regulations in the field were changed in 2004, Rasdaq could no longer be classified as a spot market.

Romanian companies expect the construction sector will continue to decline in the first quarter of the year.

A relative stability is expected in the manufacturing industry. Most managers estimate prices will increase in all sectors over the January-March interval. Employees numbers are expected to remain rather unchanged in retail and the manufacturing industry, while cuts are expected in the services sector and in construction sectors.

Renewable energy producers in Romania collected more than EUR310 million in green certificates in 2012, through the government support scheme.

According to the data published by the national grid company Transelectrica, more than 5.5 million green certificates were issued for renewable energy output of 3.4 TWh. This is the first full year in operation for the support scheme the Romanian authorities created for the sector.

The increase is because the production of green power more than doubled in 2012 as a result of their record number of generation facilities that became operational. A total of 826 MW were installed and operational in wind farms at the end of 2011, while 2012 ended with 1,822 MW, after EUR 1.5 billion investments.

Romanian authorities asked the International Monetary Fund for an extension of the country's EUR3.6 billion loan arrangement.

The Romanian government asked the fund for a two-month extension of the current arrangement to have time to finalize reforms at state-run companies such as CFR Marfa, Oltchim or Transgaz. Romania has yet to accomplish several terms agreed with the IMF, such as privatizations of major energy and transport companies.

Romania and the IMF signed a EUR 3.6 billion precautionary loan agreement in April 2011, successor to a larger EUR 20 billion international bailout package received during 2009-2011.

Romanian state-owned postal company Posta Romana will be privatized through share capital increase by mid-June 2013.

The Romanian Government will require the Commission's approval for the sale of a majority stake in Posta Romana. The Government will publish the auction announcement by the end of February and will draft a list of eligible investors by early April. Eligible investors will be selected by mid-May and the privatization contract will be signed by mid-June 2013.

Romania's general and life insurance market will see no major changes in 2013.

Asirom's Chairwoman said a 5% increase in underwritten insurance premiums is an optimistic scenario, adding forecasts for 2013 are rather prudent than optimistic. According to her, damage claims had a sharp evolution in 2012 and generated high costs, which were covered by company shareholders, not from revenues generated by underwritten premiums. She also said that insurers should focus on building customer loyalty by increasing the quality of services.

According to a norm approved recently by CSA, insurers in Romania will rethink mandatory car insurance (RCA) policy prices so as to make sure that revenues estimated for an interval of 12 months will cover risks, costs and their profit margin.

Romania will introduce copayment in the healthcare sector.

Health Ministry said patients who receive hospital medical care will pay a small amount of money, copayment, when they are discharged from hospital. The measure will apply starting March 1, 2013 and only for a limited period of time.

Finance Ministry continues to say "no" to gathering funds from the population.

This solution has been successfully used by many countries, Western-European, as well as by Romania's neighbors. The non-official explanation for this is that bonds dedicated to individuals would compete against bank deposits. Banks do not want added pressure, and their stance is upheld by the International Monetary Fund.

U.S. oil group Chevron has received urban-planning permits.

The three permits are valid for one year and target three blocks, in Paltinis, Popeni and Silistea. The Government said negotiations with Chevron regarding the exploration and exploitation of shale gas will remain a priority for Romania's Government. Chevron's plans to drill for shale gas have sparked protests from environmentalists worried about possible side effects of hydraulic fracturing.

The average office space rent in Bucharest decreased by 5.13% last year.

According to a survey by a real estate consultancy the average monthly office space rent in Bucharest was EUR18.5/square meter last year. Retail spaces in shopping centers were rented for an average of EUR50/sqm/month, and industrial space rents were at EUR4.1/sqm/month. Bucharest is the fifth cheapest city regarding retail space rents, after Zagreb, Porto, Belgrade and Abu Dhabi.

Tax collection level in Romania is well below the European Union levels.

Tax collection in Romania is excessively low compared to other EU countries. The percentage reaches 75%-80%.

The Romanian Government will annul the current Law on the public-private partnership.

The new law aims to simplify and clarify this field, according to the best European Union and international practices. Both AmCham and World Bank showed a desire to support the Department for Infrastructure and Foreign Investments Projects in this action, by providing the Government their expertise and resources in drafting and implementing the new regulation framework.

Around 90,000 companies became insolvent since 2008.

A total 88,912 firms went insolvent over the past five years, since the start of the economic turmoil, accounting for around 9% of total active firms at the end of 2012. The number of insolvencies saw a constant increase from 2008 until 2010. A total of 14,000 firms filed for insolvency in 2008, 19,900 firms in 2009 and 21,700 firms in 2010. The situation has gradually stabilized since 2010 and the number of insolvencies reached a comparable level in 2011 and 2012.

Romanian foreign exchange reserves rose to EUR 31.46 billion in January.

Foreign exchange inflows declined to EUR 1.98 billion in January, from EUR 2.1 billion in December last year, while total outflows fell to EUR 1.73 billion, versus EUR 2.09 billion in the previous month. The bank's gold holdings were steady at 103.7 metric tons, but their value adjusted for international gold price inched down to EUR 4.1 billion, from EUR 4.2 billion in December.

Parliament is considering holding a national referendum in September 2013 to revise the country's Constitution.

Senate chairman and USL co-president Crin Antonescu will be the head of the parliamentary committee that will draft the new Constitution. USL has agreed the new Constitution must keep the principle whereby the head of state is directly elected.

The amount cashed by the Romanian state from taxing revenue obtained from property transfers reached 499 million lei (EUR112 million) in 2012.

The reason behind this situation is that prices of real estate assets continued to decrease in 2012. In 2011, a total 371,570 realty transactions were sealed, bringing RON500.8 million (EUR118.2 million) to the state budget, according to data of the National Union of Notaries Public in Romania (UNNPR).

Romania's wind energy sector has one of the fastest growth rates in the European Union.

The wind energy sector in Romania is expected to attract more than EUR 5 billion investment by the end of 2013, creating at least 6,000 jobs. At the end of 2012, Romania had a combined installed wind energy capacity of around 2,000 megawatts, double on the year, according to data

from the national power grid operator Transelectrica.

The country's regulatory environment, its unpredictable rules for wind projects and a slow enforcement process may keep potential investors at bay. A wind farm requires approximately 85 permits and licenses, while complex documentation requirements and administrative lead times mean that permitting can take up to three years.

The parent banks of Romania's largest lenders have reduced their exposure.

The process of controlled deleveraging continues, with the latest figure showing an 8% decrease of the subsidiaries' passive assets," the National Bank has said. However, some of the financing lines have become Tier 2 subordinated loans, partially offsetting the decline in overall exposure.

In the past three years banks in Romania have piled up losses of 3.4 billion lei (EUR773 million) as one fifth of loans were not performing.

The central bank collected the preliminary results of the 40 banks on the Romanian market and found a record-high total loss of RON2.12 billion last year, almost three times as high as in 2011. According to preliminary estimates of the central bank, the non-performing loan ratio climbed to 18.2% system-wide at the end of last year, almost four percentage points higher than in the previous year.

Foreign investors increased their holdings in Romanian investment fund.

The cumulated stake of Romanian investors edged down to 27.22%, from 27.9% at the end of December. The fund reported a total number of shareholders of 9,163 at the end of January, down from 9,363 in the previous month.

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