

Lessons learned from the Romanian offshore sector

23 October 2018, Bucharest

BSOG-MC-PRE1-009-D01

Black Sea Oil & Gas SRL (“BSOG”): Romanian based independent oil & gas company

BSOG head office and all staff
(technical, commercial and financial)
are located in Bucharest, Romania

BSOG’s flagship is the Midia Gas Development Project

BSOG also undertaking offshore exploration campaign

Two shareholders: Carlyle International Energy Partners (“CIEP”)

&

The European Bank for Reconstruction and Development (“EBRD”)

1 fund of 128 funds of Carlyle Group,
a private equity firm with \$158Bn assets
under management

EBRD became minority shareholder in November 2017

2 WELLS

Exploration in 2018

2021

Project on stream

BUCHAREST

Staff located in Romania

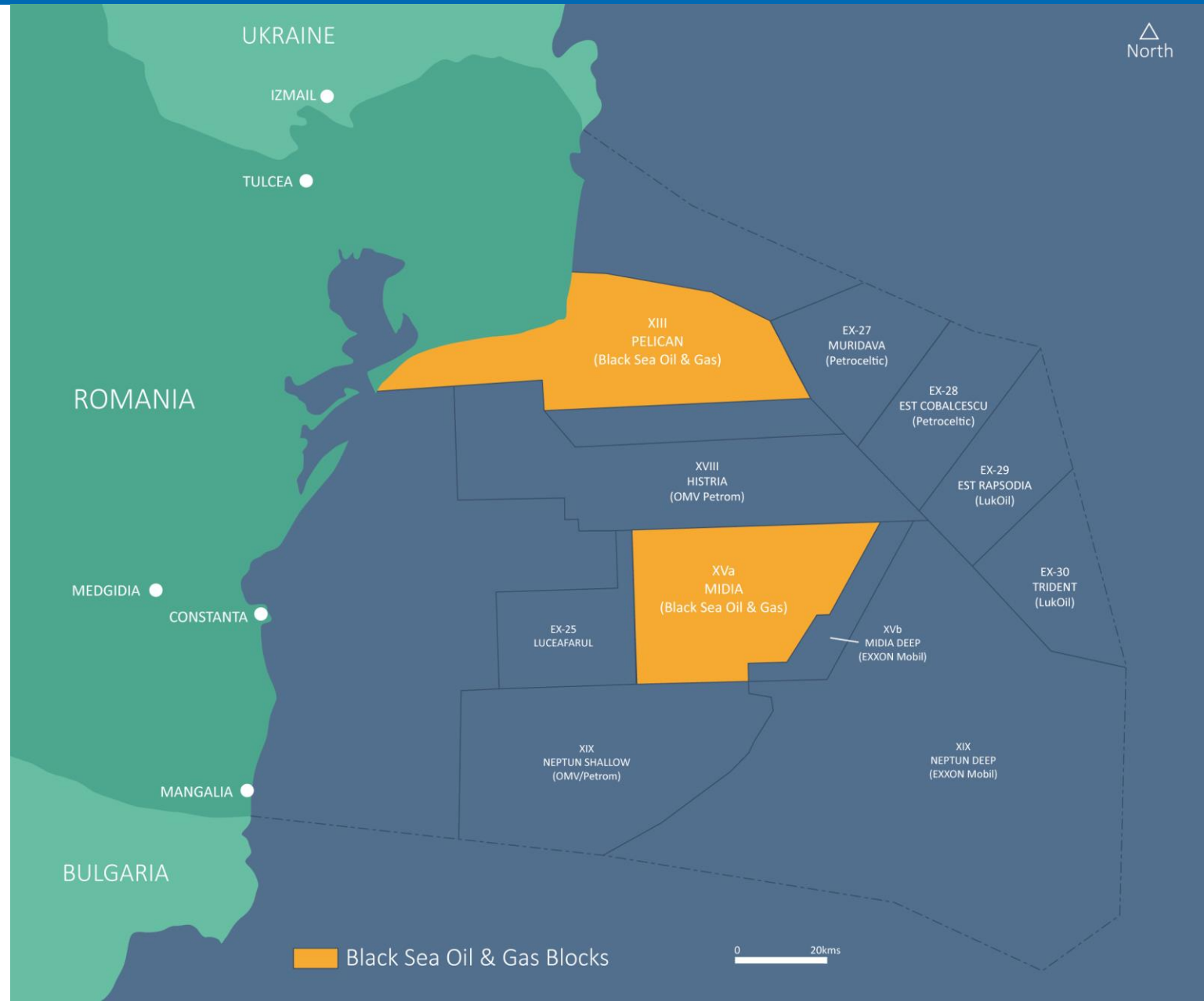
\$158Bn

Main shareholder assets under
management

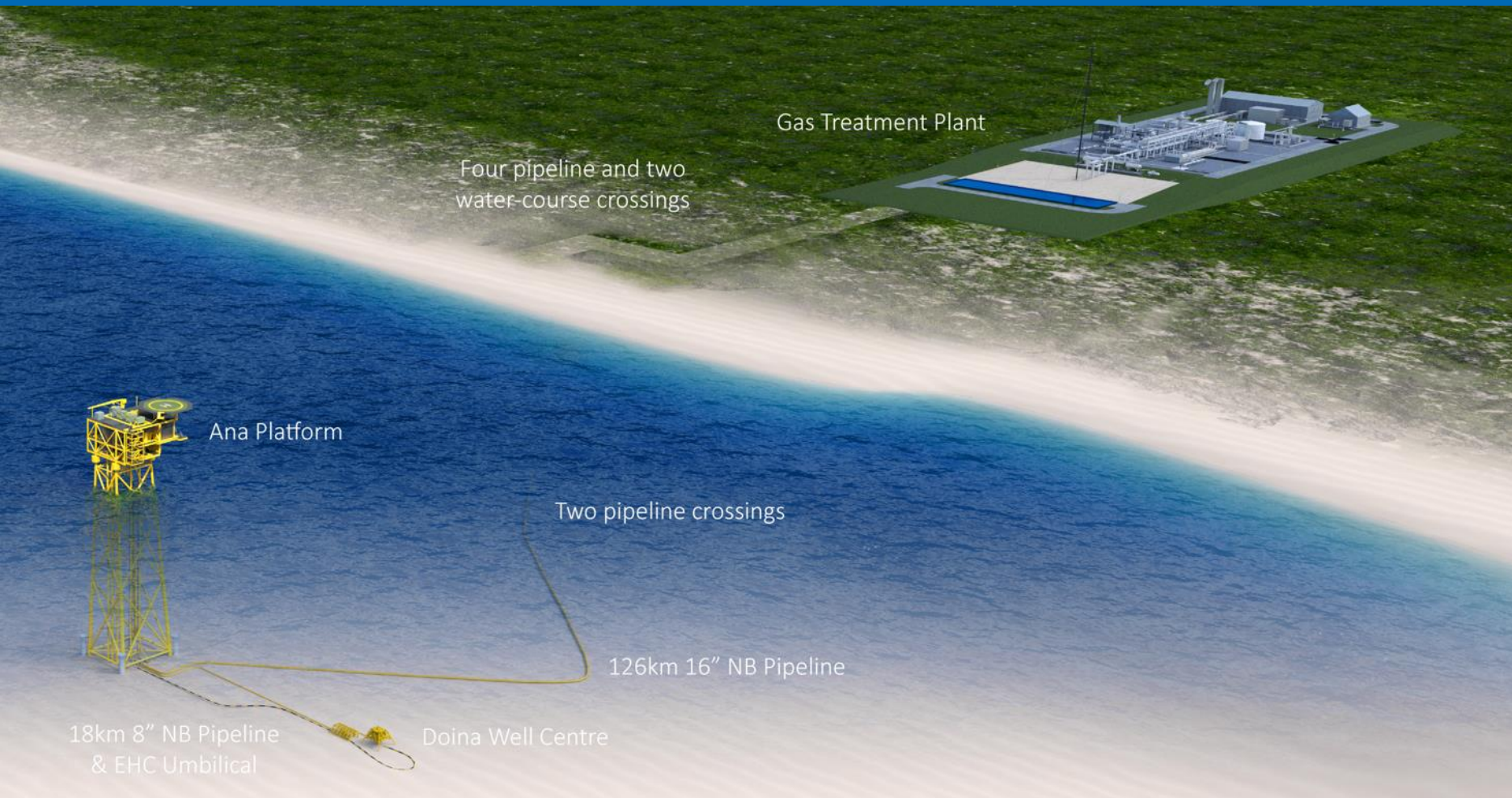


Midia and Pelican Blocks

Black Sea Oil & Gas SRL	65%
Petro Ventures Resources SRL	20%
Gas Plus International BV	15%



Midia Gas Development Project



- 10 Bcm Resources
- 1 Platform with 4 wells
- 1 Subsea well
- 126km transport pipeline
- Onshore gas plant

Lesson 1: The biggest challenges to reaching Final Investment Decision has nothing to do with the offshore project

- Land access
 - Route selection criteria
 - Ability to acquire land
 - Local buy in
- Export Route and Tie-in agreement
 - TSO's ability to provide tie into NTS
 - Clear and effective process to reach offtake agreement
- Transparent and Liberalized gas market
 - Independent from political influence
 - Gas price pegged to international index recognised by Banking community
- Clear Regulatory process
 - No overlap or gap of responsibilities amongst agencies and ministries
 - Reduced number of authorities involved
- Fiscal Stability
 - Royalties and taxes fixed for duration of concession on basis of what was agreed at Contract signature



Lesson 2: The country must have clear objectives with respect to Foreign Investment

- Determine upfront if foreign investment is wanted
- Requires cross political support due to long term nature of investment
- Need strong alignment between political and administrative bodies
- Need strong political champion to ensure investment blockages are resolved
- Good political governance and a corruption free environment will attract higher quality investors
- “Good Investors” versus “Bad Investors” is the right criteria rather than whether they are Foreign Investors

Lesson 3: The industry requires a strong and effective Industry Association

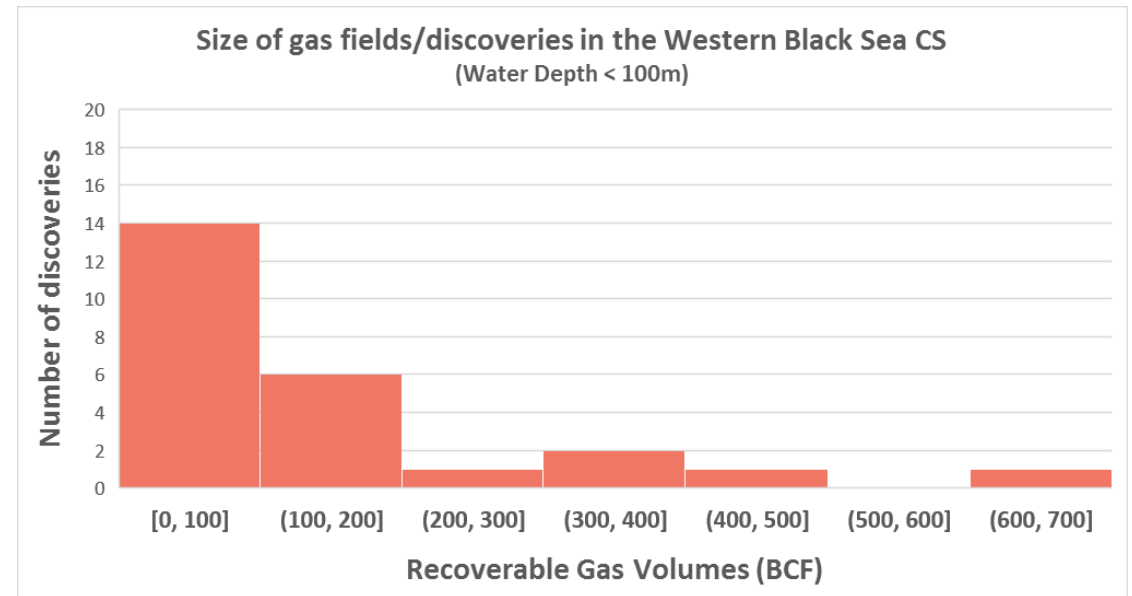
- One voice of the industry
- Provides access for educating the public
- Need full membership
- One stop shop for political and administrative liaison
- Offshore requires its own Association



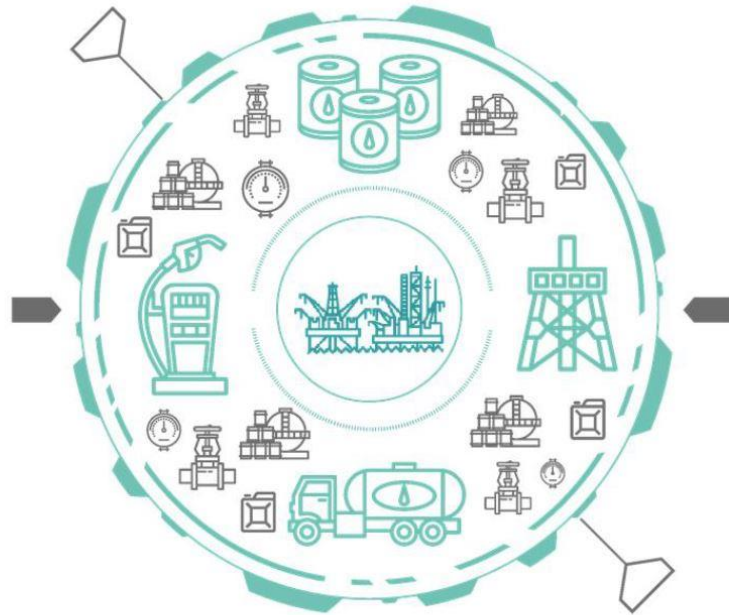
Lesson 4: There are unique challenges for developing Offshore Continental shelf

- Continental shelf discoveries in Black Sea tend to be modest in size
 - Requires low capex, fit for purpose developments
 - Requires companies with marginal field development culture

- Geology tends to be complex
 - Requires best analytical technologies
 - Cannot afford to be wrong



Deloitte.



The contribution of Black Sea oil & gas projects to the development of the Romanian economy

May 2018

Lesson 5: A Successful Offshore Industry can be a game changer for the Country

- Deloitte study for offshore* found the following contributions to the Romanian economy:

	Offshore Industry	New Consumption Industries
GDP Output	\$71.3 Billion	\$98.9 Billion
Jobs	30,605	41,945
State Revenues	\$26 Billion	\$18.3 Billion

- In addition Romania moves from being dependant on Russian gas to being self sufficient and a net exporter

*[Report published in May 2018 by Deloitte Romania](#)

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Lesson 4: There are unique challenges for developing Offshore Continental shelf

Lesson 5: A Successful Offshore Industry can be a game changer for the Country



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