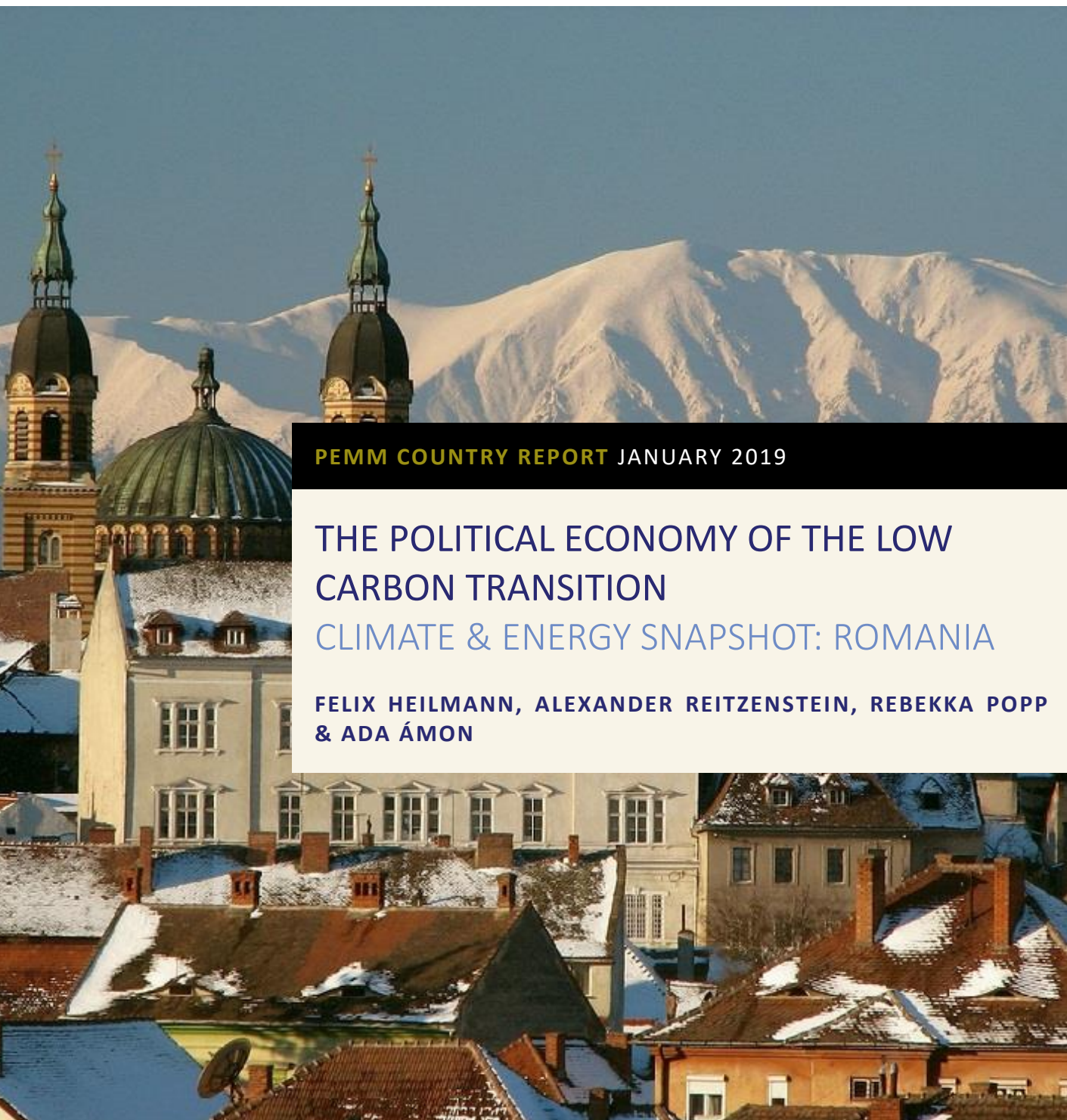




E3G



PEMM COUNTRY REPORT JANUARY 2019

THE POLITICAL ECONOMY OF THE LOW CARBON TRANSITION

CLIMATE & ENERGY SNAPSHOT: ROMANIA

**FELIX HEILMANN, ALEXANDER REITZENSTEIN, REBEKKA POPP
& ADA ÁMON**



E3G

About E3G

E3G is an independent climate change think tank operating to accelerate the global transition to a low carbon economy. E3G builds cross sectoral coalitions to achieve carefully defined outcomes, chosen for their capacity to leverage change. E3G works closely with like minded partners in government, politics, business, civil society, science, the media, public interest foundations and elsewhere. In 2016 and 2017 E3G was ranked the fifth most influential environmental think tank globally.

www.e3g.org

Berlin office
Neue Promenade 6
10178 Berlin, Germany
Tel: +49 (0) 30 2887 3405

Brussels office
Rue du Commerce 124
1000 Brussels, Belgium
Tel: +32 (0)2 781 10 96

London office
47 Great Guildford Street
London SE1 0ES, UK
Tel: +44 (0)20 7593 2020

Washington DC office
2101 L St NW
Suite 400
Washington DC, WA 20037
United States
Tel: +1 202 466 0573

Copyright

This work is licensed under the Creative Commons Attribution-NonCommercial-ShareAlike 2.0 License.

You are free to:

- Copy, distribute, display, and perform the work.
- Make derivative works.

Under the following conditions:

- You must attribute the work in the manner specified by the author or licensor.
- You may not use this work for commercial purposes.
- If you alter, transform, or build upon this work, you may distribute the resulting work only under a license identical to this one.
- For any reuse or distribution, you must make clear to others the license terms of this work.
- Any of these conditions can be waived if you get permission from the copyright holder.

Your fair use and other rights are in no way affected by the above.



© E3G 2019

Cover photo: Sibiu – Romania's Orthodox Cathedral by [Camil Ghircoias on flickr](#)



E3G

Acknowledgements

E3G would like to thank all the partners and stakeholders involved in this PEMM. The analysis presented in this report was informed by a political landscape study drawn up by Alexandru Mustata, Bankwatch Romania, alongside extensive desk-based research by E3G. The draft analysis was tested with country experts in interviews and a workshop, facilitated by Bankwatch Romania, in Bucharest in October 2018. These provided our team with invaluable in-country expertise and insights. The country briefing represents the results of this process. All judgements remain the responsibility of the authors.

Supported by:



This project has received funding from the European Commission through a LIFE grant. The content of this report reflects only the authors' views. The Commission is not responsible for any use that may be made of the information it contains.

Supported by:



Federal Ministry
for the Environment, Nature Conservation
and Nuclear Safety



European
Climate Initiative
EUKI

based on a decision of the German Bundestag

The European Climate Initiative (EUKI) is a project financing instrument by the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU). Its implementation is supported by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH. It is the overarching goal of the EUKI to foster climate cooperation within the European Union (EU) in order to mitigate greenhouse gas emissions. The opinions put forward in this report are the sole responsibility of the author and do not necessarily reflect the views of the Federal Ministry for the Environment, Nature Conservation and Nuclear



Federal Foreign Office



E3G

CONTENTS

About E3G.....	2
Copyright	2
EXECUTIVE SUMMARY	5
OVERVIEW: ROMANIA'S POLITICAL ECONOMY.....	7
INTRODUCTION: POLITICAL ECONOMY MAPPING OF ROMANIA	7
ROMANIA'S NATIONAL CONDITIONS	8
Climate Risk	8
Energy Transition.....	9
Energy Security	14
Technology and Innovation	15
Finance and Investment	17
Public Goods	18
ROMANIA'S POLITICAL SYSTEM.....	20
Basic parameters	20
Government and Civil Service.....	21
Business	22
Public discourse	24
European Union.....	26
ROMANIA'S EXTERNAL PROJECTION AND CHOICE.....	28
Foreign Policy.....	28
Climate Diplomacy.....	30
ANNEX – DATA SHEET: ROMANIA	31



E3G

EXECUTIVE SUMMARY

Our assessment of Romania shows clearly that many aspects of the country's political economy stand in opposition to a low-carbon transition. In all three headline categories of our analysis – national conditions, political system, and external projection and choice – we conclude that most factors actively oppose the transition. Nevertheless, we have identified several access points for an accelerated low-carbon transition in Romania:

National Conditions: Overall, the national conditions oppose an accelerated low-carbon transition. Fossil fuels play an important role in Romania's energy mix and further fossil fuel and nuclear capacity are planned. Coal accounts for roughly a third of the electricity mix and enjoys strong political support. The country also has significant gas and oil resources, making it one of Europe's most energy-independent countries.

Despite high economic pressure on coal, Romania has not yet defined a phase-out date or a Just Transition strategy. After a support scheme for renewables had fostered growth, it has since been terminated and new regulatory roadblocks have de facto ended the development of renewable technologies. Renewable sources, mostly hydro power, account for roughly 40% of the energy mix today.

Within the realm of energy politics and policy, inefficient energy infrastructure and energy poverty are key issues for the country, next to maintaining energy independence from Russia. In fact, Romania is one of the European countries with a very low energy dependency rate and it is set to play a major role in the European oil and gas market due to recent discoveries in the Black Sea if the necessary policy frameworks are created. There is also large potential for additional wind and solar capacity across the country.

Potential drivers of the low-carbon transition such as technology, innovation, finance and the perception and role of public goods are not yet playing a significant role in Romania's transition. The country is an attractive outsourcing destination for information and communication technologies (ICT) development and the quality of its higher education in technical fields is notable.

However, low public and private investments in research and development (R&D), brain drain, emigration and a lack of skilled workforce in many areas are key challenges for further technological development. The boom in renewables has shown that Romania could benefit from active engagement in low-carbon supply chains, but this would require targeted public investment. Although Romania has seen a lasting period of rapid growth, this was almost entirely driven by private consumption enabled through generous social spending and public investments into a low-carbon transition depend largely on the EU budget.



E3G

Due to high poverty and increasing income inequality, economic issues are perceived as a key challenge for the country by the public, whereas climate change or environmental issues are not of foremost concern. Romania is the EU country most vulnerable to natural disasters and it faces high economic costs from extreme weather events, such as floods and droughts, but these are not connected to climate change in the public discussion.

Political System: In general, key actors and institutions of the political system oppose an accelerated low-carbon transition. Government and businesses tend to support incumbent high-carbon industries. Romanian politics is dominated by the social-democratic PSD, which is the country's largest party and has close ties to the country's coal regions. Overall, trust in domestic political institutions is relatively low, and corruption is identified as a systemic challenge. Close ties between politics and the energy industry, in combination with unstable coalition governments, frequent change of high-level political personnel and fragmented competencies are all barriers to the implementation of long-term policies and measures.

The service sector is at the core of the current economy and its importance is growing, while heavy industry played a crucial role historically. Tourism and technology are the country's most important growth sectors. Nonetheless, reindustrialization is an important part of the current government program.

Romania's civil society is becoming more active through mass protests and grassroots movements, however, access to decision-making is very limited. Environmental and climate change issues are rarely covered in the media, which is dominated by a few conglomerates. Instead, the public discourse is dominated by the government's planned judicial reform and attempts to undermine the anticorruption framework, which have provoked mass protests over the past two years.

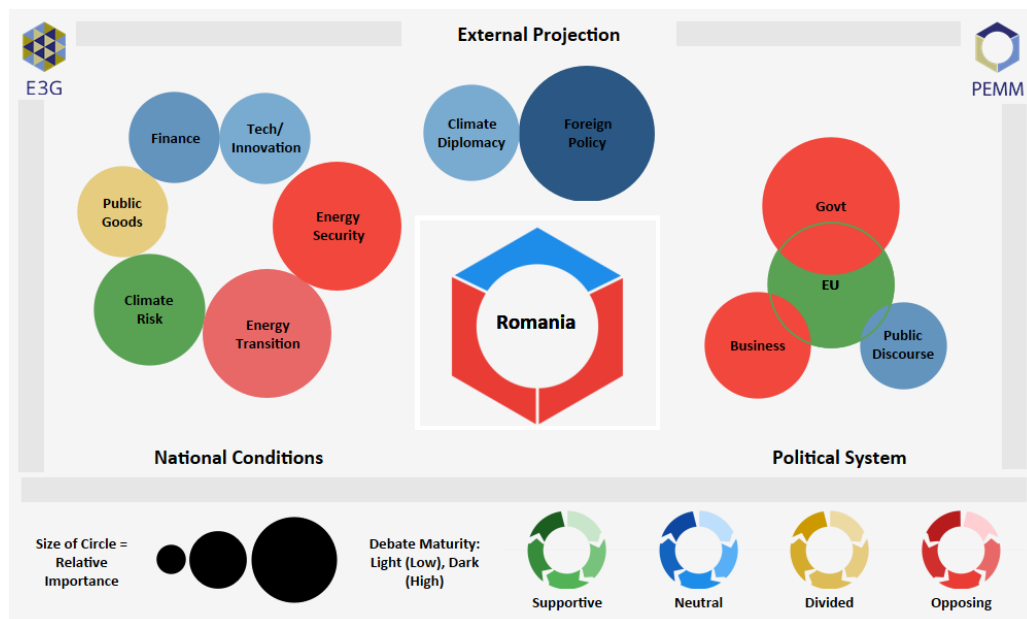
EU accession in 2007 provided an impetus for political and economic reforms and the EU remains the key driver of environmental and climate legislation in Romania. However, the country has taken a passive stance on climate and energy policy discussions at the EU level and its most important EU policy goal is membership of the Schengen area, which has so far been blocked by other Member States. Romania will play a more visible role at the EU level as it assumed the Presidency of the Council of the European Union in January 2019 and will lead the EU during several critical events and decisions during its six-month tenure.

External projection and choice: Romania's geopolitical situation is defined by the Black Sea and competing claims about the region between Romania and Russia. The region's political and economic stability is a foreign policy priority. Russia is seen as a major threat. The United States and Germany are Romania's most important foreign policy partners, though Romania fears isolation from its Western allies and is investing heavily in its military. The country does not actively engage in climate diplomacy in either the UNFCCC negotiations or the EU, but it is an important player in regional discussions on energy issues.



E3G

OVERVIEW: ROMANIA'S POLITICAL ECONOMY



INTRODUCTION: POLITICAL ECONOMY MAPPING OF ROMANIA

E3G's Political Economy Mapping Methodology (PEMM) assesses threats and opportunities to countries presented by the low-carbon transition. PEMM aims to identify underlying tensions across national conditions, political system and external projection to determine what constructs a country's core national interest and to identify key interventions which could help to increase domestic climate ambition and enable progress on the low-carbon transition. PEMM is based on desk-based research, expert interviews and in-country testing.

This briefing presents an assessment of the political economy of Romania, with a focus on the low-carbon transition. It is part of a **series of briefings on Central and South-Eastern European countries published by E3G**.¹ Within the European Union (EU), Central and Eastern European countries (CEE) are often seen as attempting to slow down the low-carbon transition, both domestically and by opposing stronger EU climate action. Against this background, E3G has applied its PEMM to Romania and Bulgaria as well as Hungary, Poland, Slovakia and the Czech Republic.

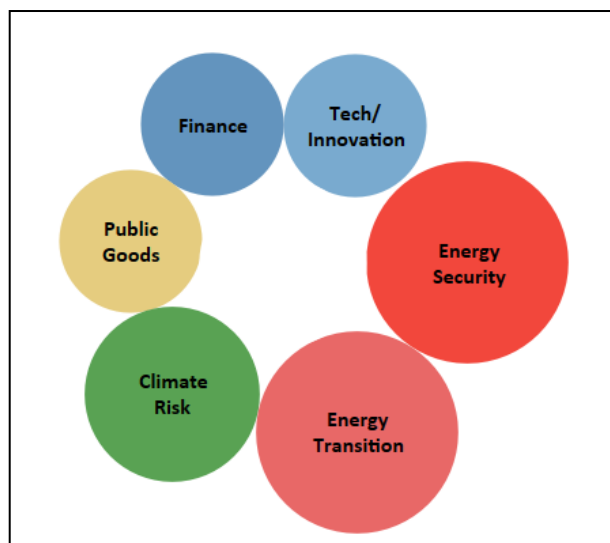
Often perceived as one unified bloc working against the low-carbon transition, E3G digs deeper and studies their specificities, their influence, and their social and economic interests. The aim of this research is to identify opportunities to accelerate the low-carbon transition domestically and at the European level. When taking a closer look, considerable differences between the CEE states become apparent. Identifying these discrepancies is crucial for designing country-specific interventions and cooperation opportunities that support a low-carbon transition.

¹ E3G (2019). **Central and Eastern Europe in Focus**



E3G

ROMANIA'S NATIONAL CONDITIONS



The analysis of national conditions is guided by three questions:

How important is the area in the real economy of the country?

Is the area accelerating or inhibiting a low carbon transition?

How mature is the debate within this area with regards to a low-carbon transition?

Size of Circle =
Relative
Importance



Debate Maturity:
Light (Low), Dark
(High)



Supportive



Neutral



Divided



Opposing

Climate Risk

Summary assessment:

Extreme weather events happen more frequently, and Romania is exposed to significant climate risk. Nonetheless, current adaptation measures are relatively weak.

Assessment categories:

Significance to the national interest: **Medium**

Alignment with low-carbon transition: **Supportive**

Maturity of the debate: **Low**

Romania is **exposed to significant climate risk** and recurring extreme weather events have significant impacts, causing a public discussion which is focused on adaptation rather than climate mitigation measures. Romania is **the EU country most vulnerable to natural disasters** and ranks 46th out of 88 countries for exposure on the World Risk Index.² Its vulnerability is exacerbated by poverty and poor adaptation measures.

² Bündnis Entwicklung Hilft (2018). **World Risk Report 2018**



E3G

Floods, which have occurred almost yearly since 1970, are **the most frequent and impactful extreme weather events**. They accounted for 55% of all natural disasters between 1990 and 2014 and have caused 86% of the economic costs from natural disasters.³ Extreme weather events have significantly increased in number since 2000, with both the most severe drought (2007) and the most severe floods (2005) happening in the new millennium.⁴ The most relevant climate change impacts are hotter summers with more frequent and persistent heat waves and a reduction of rainfall in summer months.⁵ 48% of agricultural land is endangered by frequent and prolonged droughts, impacting soil and irrigation practices.⁶

There is currently **no systemic national approach to risk reduction**. An Adaptation Action Plan is part of the Climate Change Strategy, but most measures only refer to research activities, not to concrete adaptation policies. Flood hazard and risk maps are available, but climate impacts have not been taken into account in their development. Local adaptation capacity is weak but stronger regional adaptation plans exist.⁷

Energy Transition

Summary assessment:

Coal and gas enjoy strong political support and are planned to remain a key part of Romania's energy system. Energy poverty and inefficiency are key challenges. Renewable energy development is stalling after previously strong growth rates.

Assessment categories:

Significance to the national interest: **High**

Alignment with low-carbon transition: **Opposing**

Maturity of the debate: **High**

Fossil fuels play an important role in Romania's energy mix and will likely continue to do so. 6.4GW of coal capacity and 5.6GW of gas capacity are currently installed and account for almost 50% of the power mix.⁸ Romania's energy strategy confirms an important role for fossil fuels "for decades to come".⁹ Further fossil fuel capacities are planned, including an additional 430MW natural gas capacity in Iernut and 600MW

³ PreventionWeb (2014). **Romania Disaster & Risk Profile**

⁴ Grantham Research Institute on Climate Change and the Environment (2015). **Climate Change Legislation in Romania**

⁵ Ministry of Environment and Climate Change (2013). **Romania's Sixth National Communication on Climate Change**

⁶ Climate-ADAPT (2018). **Country Profile: Romania**

⁷ World Bank (2018). **Strengthening Disaster Risk Management in Romania**; Climate-ADAPT (2018). **Country Profile: Romania**

⁸ IRENA (2017). **Cost-competitive renewable Power Generation: Potential across South East Europe**

⁹ Ministry of Energy (2016). **Romanian Energy Strategy 2016-2030, with an Outlook to 2030**



E3G

coal capacity in Rovinari, both of which were named as priority projects in the 2030 energy strategy.¹⁰

Romania has **significant gas resources**, and the Black Sea offshore potential is a key focus. Black Sea offshore reserves could almost double Romanian annual production. After intense political debate about the exploitation of these resources, potential investors, and the use of the resulting benefits, Parliament adopted a law allowing offshore gas exploitation in October 2018. However, it also introduced a supplementary tax on offshore gas and a requirement that half of the annual gas output has to be sold in Romania. It is unclear whether the potential investors, ExxonMobil and Petrom, will invest the additional €1bn needed for gas exploitation under these circumstances.¹¹

However, it remains possible that existing fossil fuel capacities will be replaced with gas, and Romania could become an important energy hub in Eastern Europe if not limited by the missing interconnectivity infrastructure with its neighbours.

Romania has one operating nuclear power plant at Cernavodă with a capacity of 1.4GW, and further capacity increases are foreseen. Two additional units at the same site are planned by a Romanian-Chinese joint venture and a Memorandum of Understanding (MoU) for the project has been signed in 2015. The costs are estimated at €5bn.¹²

Energy policy is focused on supply security. Romanian climate action is driven by EU targets and EU funds and the government does not envision additional climate policies. The government's priority is to grow the energy intensive economy while reducing energy and electricity prices. The energy strategy which foresees a slight decrease in coal and gas use emphasizes technological neutrality.¹³ Implementation of EU energy and climate policy lags behind, for example the EU Industrial Emissions Directive (IED) has not yet been transposed into national law despite a December 2017 deadline, and some power plants still operate without IED permits.¹⁴

The fossil fuel industry is largely state-owned. Following an agreement with the International Monetary Fund (IMF), Romania sold minority stakes in several state-owned energy companies. However, all nuclear, 98% of coal and 73% of natural gas

¹⁰ On Iernut power plant, see GE (2017). [GE awarded technology order for South Eastern Europe's largest gas project in five years](#)

¹¹ Financial Times (2018). [Romanian tax demand puts Black Sea gas on hold](#)

¹² Business Review (2018). [Nuclearelectrica's strategy for building the 3rd and 4th Cernavoda reactors](#)

¹³ See Ministry of Energy (2016). [Romanian Energy Strategy 2016-2030, with an Outlook to 2030](#)

¹⁴ Business Review (2018). [European Commission: Romania must apply EU norms for industrial emissions or risk referral to EU Court of Justice](#)



E3G

units remain state-owned.¹⁵ Plans to sell minority stakes in the coal company Oltenia Energy Complex were not realized.¹⁶ In addition, the entire hydro sector is also state-owned.

The coal sector is under strong economic pressure but enjoys political and financial support. Coal accounts for 27% of total electricity generation, which is significantly less than in most neighbouring countries. The sector relies heavily on significant subsidies.¹⁷ Nevertheless, major political parties don't question the role of coal, and there are strong ties between the Energy Ministry and the coal industry. Especially the socio-democratic PSD, Romania's largest party, has many voters in mining regions. A Romanian-Chinese joint venture is planning a new 600MW lignite power plant in Rovinari. A Memorandum of Understanding for the project has been signed in 2013, estimating the project costs at €848bn with a 30-year-lifespan, but the project is currently not progressing further.¹⁸ Romania is also supporting the development of Carbon Capture and Storage (CCS) technology, including with the "GETICA CCS" demonstration project at unit 6 of the Turceni power plant.¹⁹

Despite the deficiencies of the coal sector, there is **no phaseout plan or long-term Just Transition strategy** and debates on Just Transition are rare.²⁰ Lignite mining is inefficient relative to other EU countries, with low productivity per worker, and the average age of coal plants at 40 years.²¹ The Oltenia coal region alone, where 95% of lignite deposits are located, could lose over 10,000 jobs of ca. 18,600 coal jobs in total.²² Memories of the *Mineriadă*, demonstrations of miners in the 1990s, are part of the collective memory. The phaseout of hard coal mining, which reduced job numbers in the main hard coal mining region of the Jiu Valley by around 45,000, is almost completed, but despite support from the World Bank and the EU no long-term economic or social programmes accompanied the transition.²³

Romania reached its 2020 target for renewables in 2014, mainly thanks to an investment boom that lasted until 2013. Achieving the 2020 target was relatively easy due to the large hydro sector which was developed before 1989 and still accounts for one third of installed capacity. Nevertheless, the investment boom led to a major

¹⁵ Ministerul Energiei (2019). [Companii sub autoritatea Ministerului](#)

¹⁶ Export.gov (2019). [Romania: Openness to Foreign Investment](#)

¹⁷ Between 2005 and 2013, the coal sector received RON 3.76bn (€790m) in subsidies. See Candole Partners (2014). [Cost of Coal to Romania](#)

¹⁸ CEE Bankwatch (2016). [The Great Coal Jobs Fraud](#)

¹⁹ Institute for Studies and Power Engineering (2017). [CCS technology in Romania](#)

²⁰ For background information on Just Transition, see E3G (2019). [Just Transition](#)

²¹ CEE Bankwatch (2019). [The energy sector in Romania](#)

²² European Commission (2018). [EU coal regions: opportunities and challenges ahead](#)

²³ CEE Bankwatch (2016). [The Great Coal Jobs Fraud](#)



E3G

expansion of renewable energy (RE) capacity, including the installation of one of Europe's largest onshore wind parks with 600MW.²⁴ Today, renewables account for 25% of gross final energy consumption and have a 43% share in the electricity mix (28% hydro, 11% wind, 3% solar PV).²⁵ Romania's RE systems are operated by major international players such as ENEL, CEZ and E.ON.²⁶

The investment boom was facilitated by the Green Certificate Scheme introduced in 2008.²⁷ The strong growth was unexpected, and the scheme was cut back in 2013 and ended in 2016, creating major investment uncertainties. It was planned to increase the mandatory share of renewable electricity to 20% by 2020, but due to much faster growth, the market was distorted by an influx of certificates. Cutbacks in 2013 caused several project developers to pull out of the country and access to the scheme ended in 2016.²⁸ Insolvency rates of renewable energy sources (RES) companies are high in recent years. In 2018, international solar photovoltaic (PV) companies filed arbitration proceedings against Romania over these changes, claiming that they are breaking the Energy Charter Treaty.²⁹ A new, small-scale prosumer support scheme has been introduced in 2018, and the Ministry of Energy is considering the introduction of a Contracts for Difference (CFD) scheme modelled on the UK's CFD scheme.³⁰

The government is planning an expansion of the hydro sector, which is under debate in the country. It is planning to build new large hydro plants, including pump storage, on the Danube, with capacities of up to 1,000MW.³¹ Environmental non-governmental organisations call for stronger control over hydropower projects as some are based on old construction permits and lie within protected Natura 2000 areas in the Danube-Carpathian region, with potentially large environmental impacts.³² This position is however heavily debated within the country, with others calling for hydro power as a reliable and clean source of energy. Similarly, the Carpathian Mountains are increasingly affected by demand for biomass, which is driving the legal and illegal harvesting of its forests.

²⁴ IRENA (2017). **Cost-competitive renewable Power Generation: Potential across South East Europe**

²⁵ European Commission (2017). **Energy Union Factsheet Romania**

²⁶ C P Chioncel et al. (2017). **Overview of the wind energy market and renewable energy policy in Romania**

²⁷ For more information on the Scheme, see Flanders Investment & Trade (2013). **Renewable Energy in Romania**

²⁸ Ecologic Institute & eclareon (2014). **Country Report: Romania**; Ministry of Energy (2016). **Romanian Energy Strategy 2016-2030, with an Outlook to 2030**; IRENA (2017). **Cost-competitive renewable Power Generation: Potential across South East Europe**

²⁹ Balkan Green Energy News (2018). **Solar PV park developers file for arbitration against Romania**

³⁰ Romania Insider (2018). **Romania's Environment Ministry allots EUR 100 mln to relaunch Green House program**; Balkan Green Energy News (2018). **Romania to introduce subsidy scheme modelled on CFD for all low-carbon energy producers**

³¹ IRENA (2017). **Cost-competitive renewable Power Generation: Potential across South East Europe**

³² WWF (2017) **Hydropower Threats in Romania, Bulgaria and Ukraine**



E3G

Recent stagnation - after reaching the 2020 target - will create a **difficult political context for Romania in negotiating its EU National Energy and Climate Plan (NECP).**

There is no specific information on which targets will be set for 2030 and how the government will approach the negotiations. The government has emphasized national sovereignty over energy policy as a key demand in EU negotiations.

Energy poverty plays a key role in energy policy-making. Gas and electricity prices in Romania are relatively low but still a significant financial burden, especially for poorer households. Romania's energy poverty rate is the second-highest in the EU. 42% of households cannot pay their utilities and 25% of the population are unable to keep their home adequately warm due to low purchasing power and efficiency standards.³³ The electricity sector is fully liberalised and the liberalisation of gas prices for households is planned for 2021.³⁴ Biomass for heating plays an important role in rural communities.

Romania's energy intensity is 172% higher than the EU average.³⁵ The country is on track to meet its 2020 target of reducing energy consumption by 19% but the target has been criticized for being low as with the set target final energy consumption would increase relative to GDP.³⁶ The high energy intensity is caused by the lack of investments but also driven by the large availability of domestic resources. It has been estimated that up to 80% of emissions from the building stock could be reduced through refurbishment.³⁷

Except for wind and solar, **almost all units in the energy system are relatively old**, leading to major inefficiencies in energy production and transmission. Maintenance of energy infrastructure is slow and transmission losses are high.³⁸ The officially installed capacity is 22GW but the average power used to deliver to the system is only 7GW.³⁹ With a high share of baseload power generation capacities nearing the end of their life time, the government expects to invest between €7bn and €14bn in the renewal of the ageing power generation fleet until 2030.⁴⁰

³³ UNDP (2016). **Energy poverty is a big deal in Romania – here's how we're helping**; European Commission (2017). **Energy Union Factsheet Romania**

³⁴ Balkan Green Energy News (2018). **Romania's electricity market is now fully liberalized**; European Commission (2017). **Energy Union Factsheet Romania**

³⁵ Ecologic Institute & eclareon (2014). **Country Report: Romania**

³⁶ European Commission (2015). **Progress made on 2020 energy efficiency target**; Energy Efficiency Watch (2013). **Energy Efficiency in Europe**

³⁷ Individual Building Renovation Roadmaps (2018). **Factsheet: Romania**

³⁸ Ecologic Institute & eclareon (2014). **Country Report: Romania**

³⁹ CEE Bankwatch (2019). **The energy sector in Romania**

⁴⁰ Ministry of Energy (2016). **Romanian Energy Strategy 2016-2030, with an Outlook to 2030**



E3G

Transport emissions have steadily increased since 1990 driven by low fuel prices and economic growth. Romania has the lowest tax rates on petrol and diesel in the EU, only reaching the minimum rates prescribed by EU law. Registration and ownership taxes are among the lowest in the EU and only the registration tax is partly based on emissions.⁴¹

Energy Security

Summary assessment:

Romania is one of Europe's most energy-independent countries thanks to large domestic gas and oil reserves. It has an exceptionally high potential for renewables.

Assessment categories:

Significance to the national interest: **High**

Alignment with low-carbon transition: **Opposing**

Maturity of the debate: **High**

Romania aims to gain energy independence from 2019 onwards and already has the EU's third lowest dependency rate at 17%.⁴² **In Central and Eastern Europe, it is the largest producer of oil and gas** and is set to play a major role on the European oil and gas market due to recent discoveries in the Black Sea (see discussion in the *Energy Transition* section above). Gas import dependency is below 2% and Romania has the 6th largest proven natural gas resources.⁴³ Romanian proven crude oil reserves are the 4th largest in Europe but will be exhausted in 15 years at current extraction rates.⁴⁴ Romania is a **net exporter of electricity**. Production exceeds consumption significantly and in the electricity sector, the installed capacity of 22GW far exceeds the peak load of ca. 8.5-10GW.⁴⁵

Grid interconnection is insufficient, but improvement efforts are ongoing. The electricity interconnection level of 7% is below the EU 2020 target of 10%.⁴⁶ Romania is a member of various regional interconnection groups, such as the High Level Group on Central and South Eastern Europe Energy Connectivity (CESEC). It is working with Bulgaria and Greece to connect Eastern Europe's North-South corridor with the

⁴¹ Ecologic Institute & eclareon (2014). **Country Report: Romania**

⁴² European Commission (2017). **Energy Union Factsheet Romania**; Auswärtiges Amt (2018). **Rumänien: Wirtschaft**

⁴³ European Commission (2017). **Energy Union Factsheet Romania**

⁴⁴ Business review (2018). **Romania imported 3.46 million tonnes of oil in the first five months of the year**

⁴⁵ World Bank (2016). **Development of low-carbon energy supply system in Romania**

⁴⁶ European Commission (2017). **Energy Union Factsheet Romania**



E3G

Southern Gas Corridor.⁴⁷ Furthermore, the construction of an interconnector with Moldova began in 2018.⁴⁸ Only two thirds of municipalities and cities are connected to the gas network and 91% is consumed in urban areas.⁴⁹

Looking at alternatives, Romania has an **exceptionally high potential for additional RE capacities**. Especially the South has a good additional cost-competitive solar PV potential of up to 18GW and the country has one of the highest competitive wind potentials in Europe with 12-81 GW.⁵⁰ These potentials overlap with current high-carbon regions.⁵¹

Technology and Innovation

Summary assessment:

Romania is an attractive outsourcing destination for information and communication technologies (ICT) development but struggles to produce domestic start-ups. Energy research is not a priority and hampered by low funding levels.

Assessment categories:

Significance to the national interest: **Low**

Alignment with low-carbon transition: **Neutral**

Maturity of the debate: **Low**

Innovation efforts in Romania are suffering from a **lack of public and private research and development (R&D) funding**. R&D intensity remains one of the lowest in the EU at below 0.5% of gross domestic product (GDP) and has not increased since 2007.⁵² Romania ranks last in the most recent European Innovation Scoreboard.⁵³ The business sector lacks interest in developing R&D activities and Romania has one of the lowest shares of researchers in the private sector in the EU.⁵⁴

Energy research is not a priority. Romania only participates in the working group on nuclear safety out of the fifteen working groups of the European Strategic Energy Technology (SET) Plan that aims to accelerate the development and deployment of

⁴⁷ European Commission (2017). **Energy Union Factsheet Romania**; Ministry of Energy (2016). **Romanian Energy Strategy 2016-2030, with an Outlook to 2030**

⁴⁸ Interfax Global Energy (2018). **Moldova to start construction on interconnector with Romania this month**

⁴⁹ Business Review (2018). **Only two thirds of cities and a quarter of villages in Romania have access to natural gas services**

⁵⁰ IRENA (2017). **Cost-competitive renewable Power Generation: Potential across South East Europe**

⁵¹ European Commission (2018). **EU coal regions: opportunities and challenges ahead**

⁵² European Commission (2017). **Romania Horizon 2020 Performance**

⁵³ Energy Industry Review (2018). **Research and innovation in Romania, a land of two realities**

⁵⁴ European Commission (2017). **Romania Horizon 2020 Performance**



E3G

low-carbon technologies. In 2014, the Romanian government invested €10m in the Energy Union research and innovation (R&I) priorities, with additional private investments of €26m, which represent only 0.2% of private investment across the EU.⁵⁵

Similarly, the Energy Strategy's stated **goal of turning Romania into a manufacturing centre for the energy transition is not backed up by concrete policies**. This would require attracting significant low-carbon investment to make Romania a regionally important producer and user of clean technologies, but achievement of this goal is currently unlikely given an unstable policy framework and the lack of incentives after the abolishment of RES subsidies in 2016.

While **higher education in technical fields is competitive in the region**, the overall **education system is underfunded**.⁵⁶ Private sector wages are much higher than those in the public education sector and researchers and academics earn only 10-30% of the salaries paid in Western Europe. Only 3% of GDP is invested in education, which is below the global average of 4.9%.⁵⁷

However, Romania is an **attractive outsourcing destination for international IT companies**. Many multinational IT companies have established large developmental departments in Romania and outsourcing of foreign companies accounts for around 90% of Romania's IT sector. But while Romania is highly rated for the quality of its technical developers, it **struggles to produce domestic start-ups**. This is explained by a mix of reasons including bureaucratic barriers, priorities of the education system and political support.⁵⁸

The country's **capacity to attract and retain talent is relatively low**. It ranks 130th worldwide on both criteria in the World Economic Forum's Global Competitiveness Index.⁵⁹ Given the significant IT sector, there could be a high **potential to establish low-carbon IT services** in the country.

⁵⁵ European Commission (2017). [Energy Union Factsheet Romania](#)

⁵⁶ Export.gov (2019). [Romania: Openness to Foreign Investment](#)

⁵⁷ Emerging Europe (2017). [Romania Could Catch Up in Innovation](#)

⁵⁸ Forbes (2016). [Romania's Silicon Valley Has An Innovation Problem](#)

⁵⁹ World Economic Forum (2017). [The Global Competitiveness Report 2017-2018](#)



E3G

Finance and Investment

Summary assessment:

As a result of government policies aimed at increasing private consumption, the budget deficit is widening, and inflation is increasing. EU funds represent a large share of public investments. The financial sector's position is strengthening, but it still has significant vulnerabilities.

Assessment categories:

Significance to the national interest: **Medium**

Alignment with low-carbon transition: **Neutral**

Maturity of the debate: **Medium**

The **budget deficit has widened**, and Romania almost missed the 3% EU stability ceiling in 2017. It peaked at 4.1% of GDP in the second quarter of 2017, which is the highest value in the EU, and is up from 0.8% in 2015 due to increased public spending and tax cuts.⁶⁰ Nonetheless, **overall public debt is one of the lowest in the EU** at 38% of GDP.⁶¹ Increases in private consumption are driving inflation rates up. **Inflation increased** to 4.7% in February 2018 above the upper limit of the National Bank's target band, causing an increase in the interest rate.⁶²

Romania's **trade deficit is increasing**, currently standing at €12.9bn. Imports will likely further increase driven by higher consumption and the input needs of export-oriented industrial activity.⁶³ Romania's most important trade partners are Germany and Italy, while the most important foreign investors are France, Austria, the Netherlands and Germany. China could play an increasingly important role, including in the energy sector.

EU funding plays an important role in the country's economy. Almost half of public investments in Romania are made using EU funds.⁶⁴ However, the absorption rate is very low.⁶⁵ For the 2014-2020 period, Romania is receiving €30.9bn in EU funding.⁶⁶ Out of this cohesion policy funding €1.5bn is allocated for investments into sustainable energy and efficiency and a further €3.7bn for investments into steps

⁶⁰ Freedom House (2018). **Romania Country Profile**; The Guardian (2017). **Romania shrugs off label as Europe's poor man as economy booms**

⁶¹ EBF (2018). **Romania's banking sector: Facts & Figures**

⁶² World Bank (2018). **The World Bank in Romania: Country Snapshot**

⁶³ Société Générale (2018). **Country Risk of Romania: International Trade**

⁶⁴ European Commission (2019). **Share of Cohesion Policy per member state to public investment**

⁶⁵ Romania Insider (2017). **Most public investments in Romania made through EU funds**

⁶⁶ European Commission (2014). **Summary of the Partnership Agreement for Romania, 2014-2020**



E3G

towards a decarbonized and energy-efficient transport sector.⁶⁷ The country could be severely hit by funding cuts for the 2021-2027 period of the next EU budget.⁶⁸

Romania's **financial sector is relatively strong** but has significant vulnerabilities, such as positions in sovereign debt and real estate markets. The level of nonperforming loans was reduced from 22% at its peak in 2013 to 6% in December 2017.⁶⁹

The **lack of up-to-date road and railway infrastructure is one key barrier to foreign investment**. Romania is 128th out of 138 countries regarding the total quality of its road infrastructure in the latest Global Competitiveness Report.⁷⁰

Public Goods

Summary assessment:

Romania experiences high growth rates but also persistent high poverty and increasing inequality. Therefore, economic issues are perceived as the most important challenge to the country.

Assessment categories:

Significance to the national interest: **Low**

Alignment with low-carbon transition: **Divided**

Maturity of the debate: **Low**

Romania is experiencing a **lasting period of rapid growth**. GDP has increased from \$176bn in 2007 to \$212bn in 2017 and disposable household income has also been increasing continuously since 2013.⁷¹ Nonetheless, the country still has **one of the highest poverty rates in the EU**. Romania is the second poorest EU country, reaching only 57% of the EU average income per capita. Moreover, 39% of the population are at risk of poverty. At the same time, income inequality is increasing, with rural areas falling behind.⁷²

Therefore, **for the public, economic challenges are most important**. Rising prices and cost of living are seen as the most important issue facing the country (by 30% of the population), followed by the economic situation (29%) and health and social security

⁶⁷ European Commission (2017). **Energy Union Factsheet Romania**

⁶⁸ Romania Insider (2018). **Romania may be the biggest EU fund loser in 2021-2027**

⁶⁹ International Monetary Fund (2018). **Romania: Financial Sector Assessment Program**

⁷⁰ Emerging Europe (2017). **Romania Could Catch Up in Innovation**; World Economic Forum (2017). **The Global Competitiveness Report 2017-2018**

⁷¹ Oncioiu et al. (2017). **Optimizing the Renewable Energy Potential: Myth or Future Trend in Romania**

⁷² World Bank (2018). **The World Bank in Romania: Country Snapshot**; Auswärtiges Amt (2019). **Rumänien**



E3G

(25%).⁷³ In addition, Romanians see poverty as the most serious problem facing the world.⁷⁴ **Emigration and demographic decline are further major challenges** for the country. For instance, emigration is at exceptionally high levels. Since 1990, the population has decreased by at least 3.5 million, with millions of Romanians living abroad. Between 2007 and 2015, Romania had the second highest emigration growth rate worldwide after Syria.⁷⁵

Romania has **one of the highest air pollution levels in the EU** and was sued at the European Court of Justice for failing to tackle air pollution in May 2018.⁷⁶ Air pollution is responsible for around **27,000 premature deaths per year**.⁷⁷ 42% of the NO_x pollution is produced by road transport, followed by the energy sector which is responsible for 20%. The energy sector produces 66% of SO₂ pollution as, for example, most coal plants are not entirely compliant with the Industrial Emission Directive.⁷⁸

⁷³ European Commission (2017). **Standard Eurobarometer 88**

⁷⁴ European Commission (2017). **Special Eurobarometer 459: Climate change**

⁷⁵ Business Review (2018). **3.4 million Romanians left the country in the last 10 years; second highest emigration growth rate after Syria**

⁷⁶ Actmedia (2018). **Romania is one of the most pollutant EU members**; CEE Bankwatch (2019). **The energy sector in Romania**

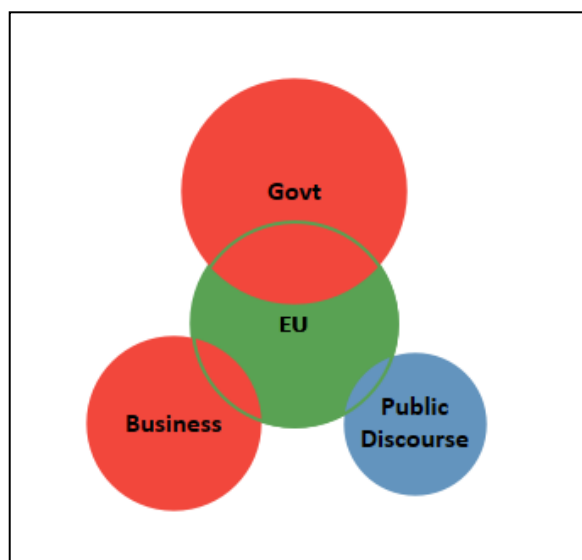
⁷⁷ European Commission (2017). **Energy Union Factsheet Romania**

⁷⁸ European Environment Agency (2018). **Romania – air pollution country fact sheet 2018**



E3G

ROMANIA'S POLITICAL SYSTEM



The analysis of the political system is guided by two questions:

Which actors in the political system are powerful?

Are they supportive or hindering a low carbon transition?

Basic parameters

Romania is a parliamentary democratic republic. It has a bicameral parliamentary system composed of the Senate (the upper house), which has 136 seats, and the Chamber of Deputies (the lower house) with 329 seats. Both are directly elected for a four-year term based on proportional representation and party lists.

As Romania has a semi-presidential political system, the Prime Minister is the Head of Government, whereas the President is the Head of State. Romania's President is directly elected for a five-year term with the right to one re-election. The President nominates the Prime Minister with approval from Parliament and further serves as the commander in chief of the armed forces. The President is unable to initiate legislation but can return bills for further debate.⁷⁹

⁷⁹ Economist Intelligence Unit (2019). **Romania**



E3G

Government and Civil Service

Summary assessment:

Romanian politics is heavily influenced by the PSD and characterized by unstable coalition governments, frequent change of political personal and fragmented competencies. The current government has been criticized for performing weakly on anticorruption measures, sparking mass protests.

Assessment categories:

Level of power and influence: **High**

Alignment with low-carbon transition: **Opposing**

Romanian politics is dominated by the social-democratic PSD. Effectively the only party until the early 2000s, it remains the country's largest party. The PSD won the 2016 election and is currently governing in a coalition with the liberal ALDE, with a cabinet appointed in January 2018 after a short-lived PSD/ALDE cabinet governing from June 2017 to January 2018 resigned. In fact, **Romanian coalition governments are unstable and experience frequent change of high-level political officials.** Prime Minister Viorica Dăncilă of the PSD took office in January 2018. The PSD party leader Liviu Dragnea cannot serve as Prime Minister due to prior convictions for electoral fraud but he has high influence on Romanian politics.⁸⁰

Political competencies are fragmented. Romania has a semi-presidential political system with split competencies between the Prime Minister and the President. The current government consists of 24 ministries headed by the Prime Minister. Within the Prime Minister's Office and ministries, however, top-down management prevails.

Romanian governments frequently adopt emergency ordinances. Attempts to weaken the judiciary by emergency decree were one cause of massive street protests in 2017, which continued in 2018. Senior politicians are actively engaged in measures frustrating the fight against corruption, often also because they are personally affected. For example, both the speakers of the House and the Senate were convicted for corruption or are under investigation.⁸¹ Recently, attempts by the PSD to change corruption laws in a way that would exculpate their party leader Dragnea provoked another round of mass protest.⁸²

⁸⁰ POLITICO (2018). [Liviu Dragnea, Brussels' oncoming 'illiberal' headache](#)

⁸¹ Freedom House (2018). [Romania Country Profile](#)

⁸² See e.g. CNN (2018). [Romania protests: Thousands rally against government for second night](#)



E3G

A political conflict also unfolds between President Iohannis and the PSD over the reform of the justice system and anticorruption measures. Iohannis is a large obstacle to the PSD's aims, such as reshaping the justice system, and the PSD is trying to remove him from office.⁸³

The Energy Ministry has close ties to the coal industry. High-level staff has previously worked in different positions in the coal sector and the Energy Ministry has repeatedly expressed open support for the continued use of fossil fuels. Energy policy is mainly driven by energy companies and the development of the new national energy strategy is perceived by some as non-transparent, with little influence of low-carbon industries. **The Environment Ministry is perceived to have less power in decision-making** than the Energy Ministry and its activities receive less attention. In the recent history, the Ministry has mostly supported the Cabinet's proposals.

Business

Summary assessment:

The Romanian economy is dominated by the service sector. Tourism and technology are the most important growth sectors. Nonetheless, reindustrialization is an important part of the government program.

Assessment categories:

Level of power and influence: **Medium**

Alignment with low-carbon transition: **Opposing**

Romania's 7% growth in 2017 was the EU's second highest growth rate. It is almost entirely **driven by private consumption** that is enabled through generous social spending.⁸⁴ Private consumption is increasing by 9% per year and is funded by tax cuts, pension increases and hikes in minimum and public sector wages. Investments, on the other hand, have been cut and public investments are largely dependent on the EU.⁸⁵

Romania's **economy has shifted from energy-intensive industries** during socialist times **to higher-value-added manufacturing and services**.⁸⁶ The rapid transition in the 1990s was traumatic, with many jobs being lost and many factories closing. Today, the

⁸³ The Romania Journal (2018). [Iohannis admits open conflict with Dancila Gov't, PSD, media say](#); Romania Insider (2018). [Romania's ruling party plans to suspend president Klaus Iohannis](#)

⁸⁴ World Bank (2018). [The World Bank in Romania: Country Snapshot](#)

⁸⁵ Business Review (2017). [EEE report: consumption only driver Romanian economic growth](#)

⁸⁶ World Bank (2016). [Development of low-carbon energy supply system in Romania](#)



E3G

economy is dominated by the service industry (61% of GDP), followed by manufacturing (23%) and agriculture (4%).⁸⁷ Cars, car parts and machine tools are the most important products of the industrial manufacturing sector.

Tourism and technology are the most important growth sectors. The ICT sector reached 6% of GDP which is expected to increase to 12% by 2025. Small and medium enterprises (SMEs) in the ICT sector experienced a value-added increase of 66% between 2012 and 2016. This growth is enabled by the **emergence of a highly qualified workforce**, despite emigration, whose cost is lower than the EU average. The sector is of particular importance to Romania's stability and growth because it provides services to domestic companies, good wages, and is resilient to economic shocks.⁸⁸

Machinery and transport equipment are the most important exports, especially vehicle parts. Foreign direct investors are mainly involved in heavy industry, vehicle parts manufacturing, building and construction, petroleum refining, and textiles.⁸⁹

Reindustrialization is an important part of the government program. It is supposed to be enabled by the new 'Development and Investment Sovereign Fund', approved by emergency ordinance.⁹⁰ Corresponding funds will also be used in the energy sector and environmental groups worry that these will serve to keep major fossil fuel companies alive which would not survive in competitive markets. The scheme is perceived as a political issue, as there is a worry that the PSD will use it to gain control over the involved companies. **Just Transition does not play a role** in debates about structural changes in the industry sector.

The labour market is strong, benefiting from growth and fiscal incentives. Real wages increase by 8% per year and unemployment, at with 4.6%, is at a 25-year low.⁹¹ Over 80% of Romanian employers have reported that they are facing **difficulties in filling vacancies**, mostly because many workers are migrating to other EU countries.⁹² Service jobs for Western companies are often seen as desirable over more traditional industry jobs.

⁸⁷ Auswärtiges Amt (2019). [Rumänien](#)

⁸⁸ Santander (2018). [Romanian Economic Outline](#)

⁸⁹ Santander (2018). [Romanian Economic Outline](#)

⁹⁰ Nine O'Clock (2017). [Dragnea: Development and Investment Sovereign Fund has generated huge interest among international financiers](#)

⁹¹ World Bank (2018). [The World Bank in Romania: Country Snapshot](#)

⁹² Business Review (2018). [Survey: Romania, ranked second in the world in terms of talent deficit](#)



E3G

Social dialogue between government, unions and business is perceived as weak by union leaders. There are no strong social contracts for most economic sectors and branches. There are no influential trade unions in the field of renewables.

Public discourse

Summary assessment:

Corruption and reform of the judiciary system dominate the public discourse and caused large-scale grassroots protests that emerged in 2017 and continued in 2018.

Assessment categories:

Level of power and influence: **Low**

Alignment with low-carbon transition: **Neutral**

Corruption and the related proposed reform of the judiciary system dominate the public discourse. During the 2016 parliamentary elections, important campaign topics included corruption, George Soros' alleged promotion of foreign interests through funded civil society organisations (CSOs) and a referendum to amend the constitution to restrict the definition of marriage to the union between a man and a woman.⁹³ In the election, the 'Save Romania Union' established by a former CSO leader with a platform focused on ending corruption and increasing governmental transparency obtained almost 9% of votes.

Trust in domestic political institutions is relatively low. Only 20% of Romanians trust the national government, the fifth-lowest value in the EU (compared to an EU average of 34%). However, 40% of Romanians trust regional or local public authorities, compared to an EU average of 54%.⁹⁴ The low trust in national political institutions is mirrored in a significant decrease in the turnout in parliamentary elections, which was at 38% in 2016, down from 80% in 1990. At the same time, turnout in presidential elections is increasing, at 64% in 2014, up from 57% in 2000. Participation in European elections is low at 32% in 2014.

Civil society is becoming more active through mass protests and grassroots movements. In 2017 **mass protests against the government's planned judicial reform and attempts to undermine the anticorruption framework** emerged.⁹⁵ These protests are overwhelmingly supported by middle-class urban populations and the Romanian community abroad. Large-scale protests were influential in the past, for

⁹³ USAID (2017). [2016 CSO Sustainability Index](#)

⁹⁴ European Commission (2018). [Standard Eurobarometer 89](#)

⁹⁵ Freedom House (2018). [Romania Country Profile](#)



E3G

example when protesting austerity measures in 2012 or the *Rosia Montana* mining project in 2013.

In response to mass protests, politicians from and allies of the ruling PSD/ALDE coalition occasionally resort to **nationalist rhetoric**. In addition, senior politicians from the coalition and related media outlets are increasingly employing rhetoric against foreign investors in banking, insurances, and the real economy. In this context, George Soros is repeatedly being accused of promoting foreign interest through funded CSOs.⁹⁶

There is only a **limited institutionalized role for NGOs** in the decision-making process. Romania has one of the EU's lowest NGO participation rates. Most relevant environmental NGOs are branches of international organizations, and their rate of success varies as they are often unable to find domestic dialogue partners. Since 2017, decision-makers are restricting NGOs through legislative measures while there are few restrictions for starting new NGOs.

The media landscape is politically polarised and dominated by a few conglomerates. Two of the most popular news channels, Antena 3 and Romania TV, are often criticized for broadcasting misinformation and frequent derailments from journalistic standards.⁹⁷ Members of the press were violently attacked by the police during clashes with anti-corruption protesters in August 2018, sparking international criticism.⁹⁸ **Environmental and climate change issues are rarely covered in the media** and energy supply and prices are of foremost concern.

The rights of ethnic minorities are under special protection but the Roma, the second-largest minority in the country, are still in a difficult position. Roma are particularly affected by poverty and more general economic, social and cultural isolation.⁹⁹

⁹⁶ Foreign Policy (2017). **Who's Afraid of George Soros?**; Freedom House (2018). **Romania Country Profile**

⁹⁷ Freedom House (2018). **Romania Country Profile**

⁹⁸ ORF.at (2018). **Attacke auf österreichisches Kamerateam**

⁹⁹ Auswärtiges Amt (2019). **Rumänien**



E3G

European Union

Summary assessment:

Trust in EU institutions is high despite government concerns that Romania is not adequately respected in Brussels. There are recurring problems with the implementation of EU legislation. Romania assumed the EU Presidency in January 2019.

Assessment categories:

Level of power and influence: **High**

Alignment with low-carbon transition: **Supportive**

Public trust in EU institutions is high, but the government feels that Brussels does not take its concerns seriously enough, which has implications for its key interest in EU Cohesion Policy in Eastern Europe and the Common Agricultural Policy. The public sees EU membership as a way to promote good governance and curb corruption. 51% of Romanians trust the EU and 66% are optimistic about its future.¹⁰⁰ EU funding is an essential share of public investment in Romania.

Romania's **most important EU policy goal is joining Schengen** and suspending border controls. This has failed so far due to concerns of other Member States about deficits in Romania's judiciary reforms and its fight against corruption.¹⁰¹ **Implementation of EU legislation is slow.** Though there is a general willingness to comply with EU legislation, Romania largely lacks the resources for this and is regularly subject to criticism from the European Commission, for example for failing to transpose the Industrial Emissions Directive into national law.

Romania has taken a generally **passive stance on climate and energy policy discussions** in the EU. Transition periods on environmental requirements expired in 2018. **Jiu Valley is a pilot region of the EU Coal Regions in Transition Platform**, which was founded by the European Commission at the end of 2017 to assist regions looking for alternative ways to develop to coal.¹⁰²

For the first time since joining the EU, **Romania assumed the Presidency of the Council of the European Union in January 2019**. During its six-month tenure, it will lead the EU during a number of critical events and decisions. Both Brexit Day and the European elections will take place during the Romanian Presidency. Moreover, during a summit in Sibiu in May 2019 heads of state and government from EU countries will

¹⁰⁰ European Commission (2017). **Standard Eurobarometer 88**

¹⁰¹ Auswärtiges Amt (2019). **Rumänien**

¹⁰² European Commission (2018) **Coal Regions in Transition**



E3G

meet to define priorities for the next EU Commission. In addition, negotiations over the EU's 2021-21 Multiannual Financial Framework (MFF) and the EU long-term climate strategy following the Commission proposal in November 2018 will continue.

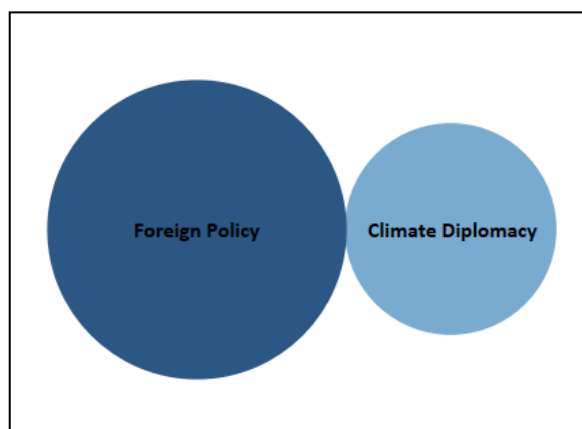
The Presidency has also significantly increased international interest in Romania's domestic affairs, causing senior EU officials and parliamentarians to openly criticize the Romanian government's plans for judicial reforms.¹⁰³

¹⁰³ EUObserver (2019). [EU and Romanian leaders quarrel at presidency launch](#); The Parliament Magazine (2019). [MEPs voice concern over Romanian EU Council presidency](#)



E3G

ROMANIA'S EXTERNAL PROJECTION AND CHOICE



The analysis of the external projection and choice is guided by three questions:

How engaged is a country in foreign policy and climate diplomacy?

Is this engagement supporting or hindering a low carbon transition?

How mature is the debate on the low carbon transition?

Foreign Policy

Summary assessment:

Romania's geopolitical situation is defined by the Black Sea and it fears Russian influence and isolation from its Western allies. Consequently, military expenditures are high at 2% of GDP.

Assessment categories:

Level of engagement: **High**

Alignment with low-carbon transition: **Neutral**

Maturity of the debate: **High**

The **Black Sea defines Romania's geopolitical situation**. In its efforts to join NATO (2004) and the EU (2007), Romania portrayed itself as a key geostrategic player based on its Black Sea access. Promoting democracy in the Black Sea region is a key part of its security strategy, and the region's political and economic stability is a foreign policy priority.¹⁰⁴ To this aim, Romania is part of the Bucharest Nine (B9) and the Three Seas Initiative.¹⁰⁵

The United States (US) and Germany are Romania's most important foreign policy partners. Romania is, for instance, home to a US air base and a ballistic missile defence system.¹⁰⁶ These investments followed repeated, but unsuccessful, attempts

¹⁰⁴ War On The Rocks (2018). [Dealing with the Russian lake next door: Romania and Black Sea security](#)

¹⁰⁵ Three Seas Initiative (2019). [About the Three Seas Initiative](#); Poland In (2018). [Polish, Romanian presidents to host 'Bucharest Nine' summit](#)

¹⁰⁶ US Air Force (2014). [Romania air base replaces Transit Center Manas](#); US Navy (2019). [Naval Support Facility Deveselu](#)



E3G

by the Romanian government to convince the EU and NATO to make the Black Sea region a greater security priority, ultimately causing Romania to prioritize its bilateral relationship with the US.¹⁰⁷ Security cooperation with the US has grown further in importance due to the developments in the Ukraine. Transatlantic relations and European integration are foreign policy priorities.¹⁰⁸ **The importance of China is increasing significantly.**¹⁰⁹

Russia is seen as a major threat. Putin has directly threatened to attack Romania over its stationing of US missiles, and Romania is a repeated object of Russian military exercises.¹¹⁰ Russia's invasion of Crimea has significantly worsened Romania's geo-security situation. Consequently, the bilateral relationship is seen as complex.

Romania fears isolation from its Western allies and is investing heavily in its military. President Trump's unclear commitment to NATO collective defence is a serious source of concern and there is also discontent about a perceived imbalance in NATO's focus on the northern part of its eastern flank, including the Baltic states and Poland, as opposed to the southern part. Romania is one of six NATO countries reaching the 2% spending target advocated by President Trump.¹¹¹

The government's actions on corruption and judicial reform are closely watched by Romania's Western allies. In June 2018, the US Embassy in Bucharest, alongside eleven other Western embassies, issued a statement calling on the government not to weaken the rule of law and fight against corruption.¹¹² Similarly, the European Commission's progress report on Romania and a European Parliament resolution from November 2018 show deep concern about Romania's recent steps reforming the judicial system and undermining the fight against corruption.¹¹³

¹⁰⁷ War On The Rocks (2018). **Dealing with the Russian lake next door: Romania and Black Sea security**

¹⁰⁸ Auswärtiges Amt (2019). **Rumänien**

¹⁰⁹ Xinhua (2018). **China, Romania agree to deepen cooperation in infrastructure, finance**

¹¹⁰ CNN (2016). **Russian President Vladimir Putin warns he'll retaliate against NATO missiles**

¹¹¹ Foreign Policy (2017). **With Demands for More NATO Spending, Romania Steps Up**

¹¹² U.S. Embassy in Romania (2018). **Major Partner Countries Call Upon Romania to Consider Potential Negative Impact of Criminal Law Amendments**

¹¹³ European Commission (2018) **European Commission's Progress Report on Romania under the Cooperation and Verification Mechanism**; European Parliament (2018) **European Parliament Resolution of 13 November 2018 on the Rule of Law in Romania**



E3G

Climate Diplomacy

Summary assessment:

While Romania is not an active player in international climate diplomacy, it is engaged in regional discussions on energy. It shows some international commitment through ODA and GCF funding.

Assessment categories:

Level of engagement: **Low**

Alignment with low-carbon transition: **Neutral**

Maturity of the debate: **Low**

Romania is actively engaged in pro-nuclear diplomacy. It is part of a US-led eight country alliance including Russia, Canada and Poland, that aims to promote nuclear power.¹¹⁴ It is also an **important player in regional discussions on energy issues**. It has been actively involved in discussions on such topics with the EU's Eastern Partnership countries.

However, **Romania is not an active climate diplomacy player** in the EU or other international fora. It participates in the UNFCCC negotiations as part of the EU delegation but does not play an important role in them. It has contributed \$100,000 to the Green Climate Fund (GCF).¹¹⁵ The majority (59%) of Romania's \$269m Official Development Assistance (ODA) goes through multilateral organisations, mainly the EU, followed by the World Bank and the UN.¹¹⁶

¹¹⁴ Business Review (2018). **Romania and Russia, among seven "international partners" supporting US initiative to push nuclear power**

¹¹⁵ Green Climate Fund (2019). **Resource Mobilization**

¹¹⁶ OECD (2018). **Romania's Official Development Assistance (ODA)**



E3G

ANNEX – DATA SHEET: ROMANIA

General data

Population (2018)	19.5 million
GDP per capita (2017, current prices)	€9,500
Corruption Index (0 = highly corrupt, 100 = very clean)	48 in 2017, 48 in 2016
Democracy Index (ranking of 167 countries)	66 in 2018 (“flawed”)
Value added per sector (% of GDP, 2017)	4.4% Agriculture 30.1% Industry 20.9% Manufacturing ¹¹⁷ 56.2% Services

Allocation and use of EU Funds (2014-2020)

Total allocation of European Structural Investment Funds	€30.9 billion
Planned investments in energy efficiency and renewables	€1.52 billion
EU Cohesion Policy Investments as share of public investment (2015-2017)	44.9%

Energy statistics

Gross inland energy consumption (2015)	22.53 Mtoe
Electricity generation (2015)	66.30 TWh
Electricity mix (2015)	25.7% Hydro 10.6% Wind 3.0% Solar PV 27.5% Coal 14.2% Gas 17.6% Nuclear 1.4% Other
Energy intensity (2015)	0.17 TPES/GDP
Energy poverty (inability to keep home adequately warm)	25% of population
Employment in coal sector (2018)	15,000 in mines and 3,600 in power plants
Cost-competitive renewable energy potential	81 GW wind, 18 GW solar PV, 1.5 GW hydro, 2 GW biomass

Sources: World Bank (2019), Destatis (2019), Transparency International (2018), EIU (2019), European Commission (2014, 2017, 2018, 2019), IEA (2018), IRENA (2017), UNDP (2016)

¹¹⁷ Manufacturing value added is a subset of industry.