



BSOG pushes Midia FID to next year

Black Sea explorer follows ExxonMobil and OMV to take time and examine implications of new offshore law in Romania

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Black Sea Oil & Gas (BSOG) has postponed the final investment decision for its Midia block off Romania until next year, becoming the second major operator in the country to delay plans amid changes to the legislation.

BSOG's Midia block is home to the Ana and Doina gas discoveries, which are believed to hold 10 billion cubic metres of gas.

The company had been planning to announce FID by the end of this year, however, continuous changes to the offshore legislation had delayed this decision.

Before making any decisions, BSOG chief executive Mark Beacom said the company is now "assessing the impact of the draft offshore law", which was voted Wednesday in the Chamber of Deputies.



OMV, ExxonMobil delay Neptun Deep FID

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"The initial assessment of the offshore law is that, with respect to regulatory provisions, the wording appears helpful in many respects for an investor to achieve regulatory closure although there still appears to be certain areas of concern that could still have the impact of creating delays or possibly even blockages," Beacom said.

"With respect to the fiscal provisions the taxation proposals are in contrary to the assurances and legal provisions provided by the state when investors entered the country, are very onerous and will likely make Romania uncompetitive compared to other offshore jurisdictions," he said.

As a result, BSOG will not be in a position to do sanction the project this year.

Beacom has previously said the Midia block is a \$400 million project.

However, while this assessment is underway, BSOG will continue to work on moving the project forward.

Beacom said the company will focus on completing all the engineering work (conceptual, front-end engineering and design and detailed engineering), completing all the regulatory requirements, the signing of an offtake agreement with Transgaz, the signing of a gas sales agreement with a gas buyer, having in place all the long lead and major equipment purchase orders, having in place engineering, procurement, construction, installation and commissioning as well as drilling contracts, and having successfully closed out debt finance from lenders.

“The assessment of the impact from this offshore law on the project will clearly be part of determining whether a favourable decision to take FID will be taken,” he said.



BSOG eyes Black Sea FID despite well setbacks

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BSOG is the second operator to announce delays in its plans due to the offshore legislation after a partnership between US supermajor ExxonMobil and Austria’s OMV said they will postpone sanction of the giant Neptun Deep block in the Black Sea.

The sanction for the Neptun Block is expected to be around €1 billion (\$1.1 billion).

Under the new offshore law, in addition to royalty payments, operators will have to pay corporate tax as well as a separate tax on supplementary income from gas sales.

The bill will also force offshore producers to trade 50% of their Black Sea gas production on the Romanian spot market, and ensure that at least 25% of their workforce are Romanian nationals.

The bill was voted in Parliament on Wednesday, with 170 votes in favor and 3 against. It will now go to Romania’s President Klaus Iohannis before being passed into law.

If the President deems the terms unconstitutional, the new law would be sent to the constitutional court for final review.
