

**28 November 2020**

## **PRESS RELEASE**

### **The President of Romania, His Excellency Mr. Klaus Werner Iohannis and the Prime-Minister of Romania, Mr. Ludovic Orban were present at the ceremony marking the completion of the investment objective BRUA – phase 1**

The President of Romania, His Excellency Mr. Klaus Werner Iohannis and the Prime Minister of Romania, Mr. Ludovic Orban, were present at the ceremony that marked the completion of the BRUA project - phase 1, respectively of the 479 km long pipeline and of the 3 compressor stations. The official delegation also included Mr. Marcel Vela, the Ministry of Internal Affairs, Mr. Virgil Daniel Popescu, Minister of Economy, Energy and Business Environment and Mr. Cosmin Marinescu, Presidential Adviser.

Mr. Ion Sterian – the company's Director General and representatives of the company's executive and administrative management, the Prefect of Caras-Severin County, Mr. Cristian Gafu, as well as representatives of the local public administration attended the ceremony on behalf of the National Gas Transmission Company TRANSGAZ SA.

The location was chosen symbolically, considering the fact that the Natural Gas Compressor Station in Jupa was the first investment objective related to the BRUA project - phase 1 to be completed and inaugurated on 30 September 2019.

TRANSGAZ started the works to the 3 compressor stations related to the project on 14 April 2018. Subsequently, the compressor stations were put into operation in September 2019 (CS Jupa), October 2019 (CS Podișor) and August 2020 (CS Bibești). The works for the construction of the gas pipeline started on 4 June 2018 and were completed on 22 November 2020.

**The President of Romania, His Excellency Mr. Klaus Werner Iohannis, stated:**

*First of all, congratulations! I congratulate Transgaz and its management for having completed the first phase of the most ambitious energy project. Please note! The most ambitious energy project is the BRUA gas pipeline, a project carried out to a large extent based on European funds. It is a spectacular achievement, with a symbolic load and by the fact that it marks on the national day's eve, the fulfilment of an extremely important objective for Romania. Last year, on the occasion of the inauguration of another compression station within the BRUA project, we awarded a decoration to Transgaz for its results.*

*Today's visit is another confirmation of what I said last year. Namely, that Transgaz is a mature company, on the way to reaching its regional development and capable of yielding valuable results.*

*However, BRUA is not the only development project completed by Transgaz in the course of this year. I would also like to mention the Ungheni-Chisinau gas pipeline, another major investment project, strategic for Romania and for the Republic of Moldova, a project through which we are happy to be once again close to the Romanian people living across the Prut. Here it is that Romania proves its ability to correctly capitalize on its geostrategic position, the diversified energy mix and the qualified human resource.*

*Congratulations, Director, to you and the entire Transgaz team! I wish you every success in your future endeavours and I look forward to the equally good news about other initiatives that will bring Romania closer to the status of regional energy hub.*

*The development of the National Gas Transmission System along the BRUA corridor is an essential stage in strengthening the energy security of both our country and the European Union, but also the energy security of the Black Sea region. Thus, through the connection of BRUA to the Vertical Corridor, through the materialization of the Black Sea offshore exploitations, which we hope to start as soon as possible, Romania has real assets to become an important player in the regional gas market. To this effect, I am firmly convinced that the funds invested in the gas transmission infrastructure will generate more for Romania than a competitive positioning on the relevant markets or a reassertion of our country's trustworthiness as a model partner in increasing energy security throughout the region.*

*The supply of natural gas from new sources will better meet the domestic market demand and will lead to an increased level of predictability and security of supply for the Romanian consumers. Let's not forget that, in Romania, although we are the second largest producer of natural gas of the European Union, half of the households are still heated by firewood, using outdated, obsolete equipment affecting health and polluting the environment. The National Program for Connection to the Natural Gas Distribution System the Liberal government initiated this summer aims to solve such problems. Connecting the Romanian communities to natural gas resources, at an accelerated pace, is an assumed governmental priority, which is materializing day by day. The Romanian people must truly benefit from*

*the resources that our country has, which must be cleverly, correctly and efficiently exploited. At the same time, in the context of the challenges associated with the Green Deal Initiative, I want to encourage the focus on investments in capacities for the transport of the fuel of the future: hydrogen as well.*

*We are close to the end of a difficult year, strongly marred by the effects of the COVID-19 pandemic. The crisis is not over yet, but we hope that if we stand resolute in our efforts so far, we will overcome everything well. Today we are here to mark the completion of a strategic investment in natural gas transmission infrastructure. I am sure that in the future we will salute other achievements together.*

*The National Investment and Economic Recovery Plan launched by the Liberal government this summer, the National Recovery and Resilience Plan already in public consultation or the Partnership Agreement for the Structural and Cohesion Funds are pragmatic documents having the investments as common denominator.*

*After 30 years of promises, not only that today's Romania is better managed, even under difficult circumstances, but it also has a clear vision of economic development, access to European funds and concrete investment projects.*

*I strongly believe that this is Romania's chance, a chance we are not allowed to waste and when I say "we are not allowed", I mean both policy makers, company managers and employees, civil servants and citizens in general. Normal Romania can only be the result of a joint recovery effort, as well as of a common will to make progress as quickly as possible in healthy directions for the development of our country.*

*Congratulations once again! Thank you all!"*

**Mr. Ludovic Orban, Prime Minister of Romania, on the occasion of the event, said:**

*"I am glad that we can celebrate the completion of an extremely important investment not only for Romania, but an extremely important investment for Europe. The gas pipeline project BRUA – abbreviation meaning Bulgaria - Romania - Hungary - Austria – is known to play the role of diversifying the European Union's natural gas supply sources, especially by the connection to the TAP pipeline bringing gas from Azerbaijan. Furthermore, there are several possible connections which can facilitate this diversification of natural gas supply sources Romania needs so much. Additionally, BRUA gas pipeline is extremely important, along with other investments to be made for the optimal use of the natural gas fields belonging to Romania. It is a big investment. Initially, the investment was estimated at almost Euro 480 million. One could see what it meant to have procurement procedures carried out correctly and a strict control, a very good management of this project, its final cost, i.e. Euro 423 million which is about 11% lower than the initial cost proved it. This project benefited from European grants amounting to almost Euro 180 million under the Connecting Europe Facility, the rest of the financing being provided by Transgaz by means of loans obtained under very good conditions negotiated with the European Investment Bank and the European Bank for Reconstruction and Development.*

*Sure, this is the first phase of BRUA. Of course, we have fulfilled our obligations to our European partners. To complete BRUA, obviously, there are things to do that are beyond our control, they depend upon the Bulgarian partners and the Hungarian partners, and we are confident that, in the end, a policy that is established at European level will be implemented by all our European partners.*

*On this occasion, I would like to mention extremely important projects that Transgaz is developing. You know very well that we have launched a National Development Plan, which is, practically, the Plan that manages to gather all the programs that benefit Romania. The National Reconstruction and Resilience Plan, the financing from the multiannual budget of the European Union, the other types of financing that Romania benefits from, also the financing that we have from some institutional partners such as EBRD, EIB, World Bank, European Council Development Bank and so on.*

*The first investment objective that will be achieved in the following period is to ensure the connection between BRUA and the Black Sea natural gas fields through the Podișor-Tuzla gas pipeline, which practically makes the connection between the Black Sea natural gas field and the BRUA gas pipeline to increase the capitalization of such gas fields. Also, a lot of natural gas main transmission pipelines are being developed or are about to start. Here, for example, we are at Jupa. A feasibility study is being carried out for the connection between Jupa-Caransebeș-Herculane-Orșova to Prunișor, which will create a pipeline that will allow for the connection to natural gas of many localities in Caraș-Severin and Mehedinți. We are working on the Onești-Gherăești pipeline. We are working on the Craiova-Segarcea-Calafat pipeline, I think that Craiova-Segarcea is already finished. Work is underway on the northern gas transmission pipeline that will connect Vatra Dornei-Borșa-Vișeu de Sus. Such sections of gas transmission pipelines are being built almost everywhere, with the role of allowing access to this resource that Romania has for as many Romanian citizens as possible. Romanian gas must reach the homes of Romanian citizens and the quality of life must increase for each of the Romanian citizen and we guarantee this, because in addition to Transgaz` investments we have already allocated over one billion euro: 234 million euro from the current financial year and 800 million euro from the next financial year for the establishment of gas distributions in localities not benefiting from the connection to the gas network.*

*We also support, both from European funds and from upgrading funds, extremely important investments for the use of natural gas for the production in a cogeneration system with an efficiency of over 95%, the production of electricity and thermal energy. It is known that the thermal system in Romania has suffered enormously in the last 20 years or so, that it needs massive investments, that we need to introduce very high yields, we need to bring efficiency, we need to reduce losses, both network losses and building losses. We also have extremely important financing for the thermal insulation of buildings.*

*I conclude by saying that we will seek to support those projects that capitalize on this resource we have - natural gas, in a superior way. Let's not forget that we had a developed petrochemical industry that can be rebuilt by relying on this important resource.*

*Congratulations, Director General! Congratulations to Transgaz` team and to all the companies that were involved in the achievement of this project and I am convinced that in the years to come this project will multiply and bring new benefits for Romanian citizens.*

**At his turn, Mr. Ion Sterian, Transgaz` Director General, stated:**

*"With the completion of BRUA Phase 1, project which was included on the updated list of EU Projects of Common Interest, Transgaz fulfilled its mission to increase and intensify Romania's energy security, met its obligations towards the European Union in terms of ensuring a greater degree of interconnectivity for Romania.*

*BRUA Interconnection represents an essential stage in the development of the National Gas Transmission System. With this pipeline put into operation, Romania gets connected to the regional transmission corridors and will be able to secure gas supply from new sources which will satisfy to a greater extent the current domestic market demand and will lead to a higher predictability and energy security to benefit the Romanian consumer. At the same time, BRUA will also mean an access way to the European markets for the future production of the gas extracted by Romania from the Black Sea.*

*The length of the BRUA pipeline upon its completion was 484 km. The budgeted value of the project amounted to Euro 479 mil. while its achievement value was Euro 423 mil. Transgaz managed to implement the BRUA Phase 1 with 11% savings as opposed to the project's initial budgeted value, mainly as a result of the fact that the contracts were awarded by transparent procurement procedures, in a competition environment which led to the contracts having been awarded at a value below the estimated one. As an example, only out of the pipe material procurement, Transgaz recorded savings of Euro 40 mil. as opposed to the estimated tender launch value.*

*Moreover, by the in-house project's management performed by Transgaz high professionals based on principles of effectiveness and good corporate governance practices, the company made considerable savings in the management expenses.*

*The value of 1 km (including the compressor stations) is 4 mil. Lei/km which equals 875 thousand Euro/km. The value of 1 km (only related to the pipeline together with the special related facilities) is 3 mil. Lei/km, equivalent with 633 thousand Euro/km.*

*I would like to highlight that we have also met our obligations undertaken in front of the European Commission by the works for the development of the interconnection between the National Gas Transmission System and Transit 1 pipeline and the reverse-flow at Isaccea, particularly the works for the upgrading and development of the Compressor Station Silistea, works which were also part of the EU list of Projects of Common Interest (PCI) just like BRUA Phase 1. I am proud of this accomplishment and I take this opportunity to congratulate all Transgaz` employees and all the constructors involved in the project as I know that important engineer achievements were necessary to have this project implemented. Transgaz has risen to and will rise to the missions it will be entrusted with! I would also like to highlight a key aspect: BRUA is not a highway without exit ways.*

*The pipeline will be part of the National Gas Transmission System (NTS), thus improving the quality of the citizens' lives and providing new growth opportunities for the local communities which will become more attractive for investors once they get access to the gas grid. BRUA Phase 1 will be integral part of the National Gas Transmission System, a energy security factor and an engine of the development of the national economy.*

*The natural gas will reach Europe from the LNG terminals, by TAP pipeline, and will go forward through the Vertical Corridor Greece-Bulgaria-Romania, enabling bidirectional gas capacities of 1.5 bcma to/from Bulgaria and of 1.75 bcma to/from Hungary. This is why we need to trust BRUA phase 1! As soon as the pipeline Tuzla-Podisor has been completed, we will be able to take over the off-shore Black Sea Gas in the NTS.*

*BRUA pipeline represents a reason for national pride and continuity of the tradition Romania has in the energy sector. It is a project that involved all stakeholder decision-making and execution bodies which, by earnestness, professionalism, responsibility, an exemplary mobilisation of all committed resources, succeeded in facing all constraints and challenges and in being accomplished to the undertaken deadline irrespective of the current circumstances marred by the COVID-19 pandemics.*

*It was not easy at all, but the strength and determination to contribute to the economic development of our country and to leave a legacy to our successors for future in this field, helped us to complete this mission and we will not stop here because there is a program for the development of the natural gas transmission infrastructure in Romania for the next 10 years ahead, including investment projects estimated at over Euro 4 billion.*

*This proactive and responsible behaviour, together with the managerial performance which is already a feature of all the works undertaken by the company, will lead to the increase in the value of the company's shares and to the strengthening of the company's public and investment profile. Transgaz will continue to invest in high value-added projects, according to the commitments assumed towards the shareholders, towards the Romanian state, towards the European Commission and towards its external institutional partners."*

**The event was held at the Compressor Station Jupa, Caras-Severin county, in compliance with all sanitary rules in the context of the COVID-19 pandemics.**

**COMMUNICATION DEPARTMENT**





