

# **THE INCREASE IN THE COST OF ENERGY AND IMPACT ON THE ROMANIAN BUSINESS ENVIRONMENT**

**Claudiu-Liviu Manea, Ph.D Student  
Marius Dan Bența, Ph.D Student  
Assoc. Prof. Avram Costin Daniel Ph.D  
University of Craiova,  
Doctoral School of Economic Sciences  
Faculty of Economics and Business Administration  
Craiova, Romania**

**Abstract:** This paper deals with issues related to the increase in the cost of purchasing energy, following the secondary effects related to the liberalization of the markets, which will lead the main clients from the business environment in Romania to conclude that the increase in the cost of energy is a consequence of the decisions established by the main players in the market, those who provide energy and natural gas, decisions aimed at maximizing their profit.

In a much more detailed research, a series of remarks can be made, such as that at the basis of the increase in the purchase regarding the fluctuations in the cost of natural gas cost variations of energy and natural gas that consumers have to bear, there are a multitude of aspects imposed by the European Union. and energy, fluctuations that have proven to have created fluctuations in the business environment in our country over time.

Following the research carried out, we can conclude that the main causes of the energy and natural gas market that create imbalances in the business environment are:

- stock market fluctuations which in the current context have proven to be very dynamic and very unpredictable in extremely sudden changes;
- energy import and transformations generated by cross-border flows;
- the return to the consumption recorded before the pandemic period;
- the reorganization of the geopolitical space based on the decisions imposed by the Russian Federation has a very big impact;
- non-exploitation of natural gas stocks from warehouses to the maximum.

**JEL classification: M14, M21, F63, O40**

**Key words: business environment, energy, economic imbalances, cost**

## **1. INTRODUCTION**

The prices of natural gas and energy were influenced by a number of aspects, such as: - the variations reported daily on the natural gas and energy market; - the account differences compared to the costs of other countries regarding imports, they significantly influenced the cost; - another cause that influenced the cost is determined by CO<sub>2</sub>

Emissions, players on the market, such as Gazprom, announced an increase in energy costs by approximately 50% compared to the costs of the last twelve months;

- The reorganization of the geographical space imposed by the decisions of the Russian Federation, by which the transport on the Ukrainian route, which ensures the energy stocks for Europe, was abandoned. [1].

- the return to the consumption recorded before the pandemic period;

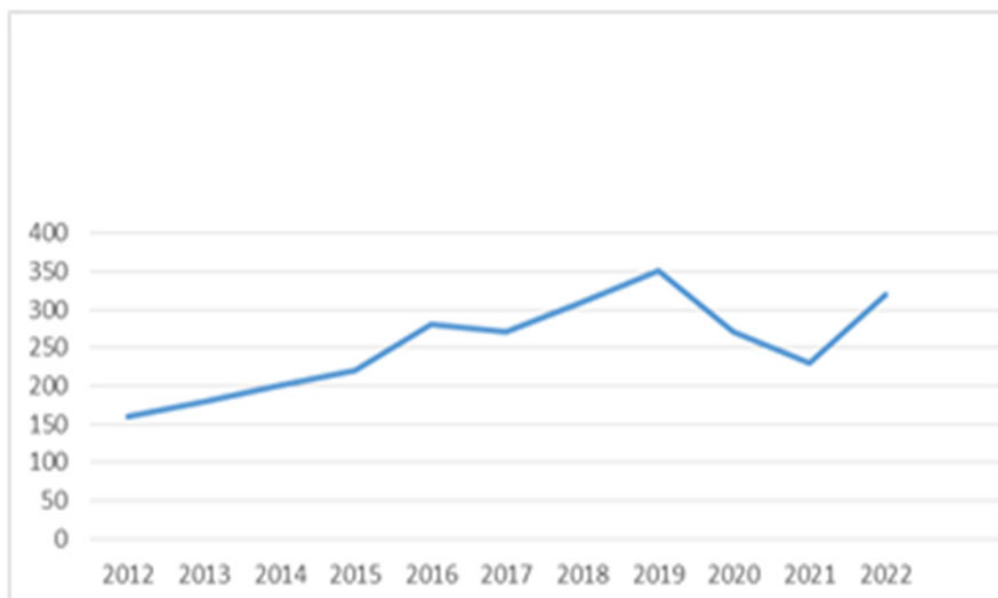
- non-exploitation of natural gas stocks from warehouses to the maximum;

- The main - the quantitative reduction of natural gas and energy in some states[1]

## 2. ANALYSES

In the graphic representation, (according to graph 1), we can observe a ratio of the average income recorded by consumers in comparison with the average price borne by consumers for energy and natural gas. You can also observe the variation of natural gas costs (according to graph 2), but also the purchasing power of consumers (according to graph 3).

### 1.1 The ratio of the average annual salary and the average price of natural gas

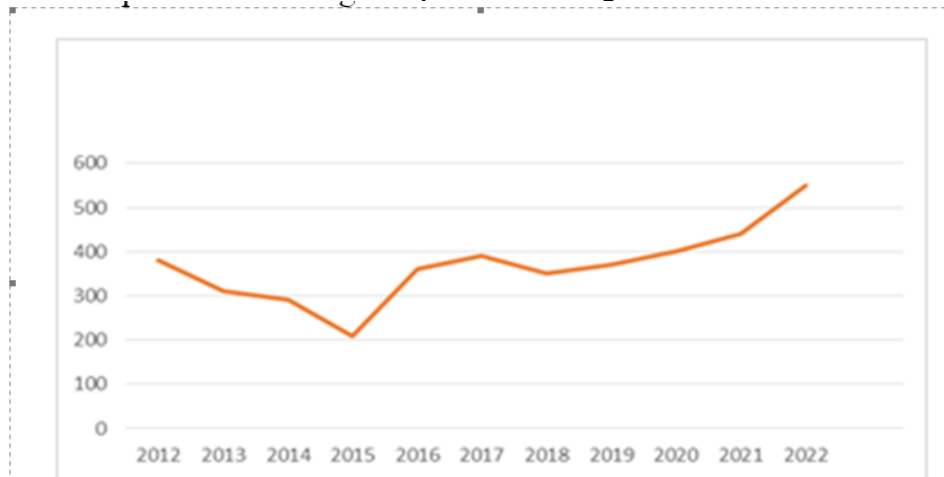


Source: EUROSTAT

From the graphological interpretation, a number of aspects can be deduced, such as:

- the ratio of consumers' average incomes in relation to the costs borne by consumers for energy and natural gas, they recorded a minimum in 2012, while the maximum price was recorded in 2019.

### 1.2 The price of natural gas

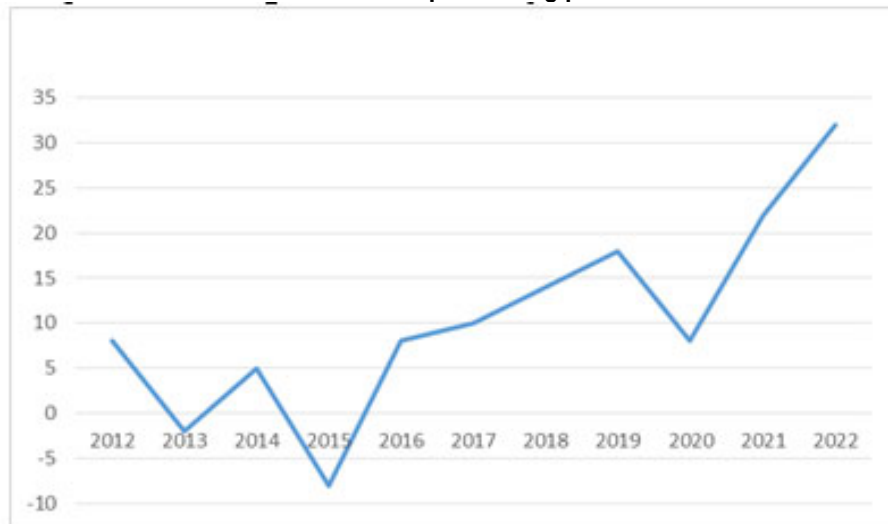


Source: EUROSTAT

From the analysis of the graph, it can be seen that the maximum price reached was recorded during the years 2021 - 2022. This situation was possible due to the flow that recorded an increasing trend in terms of natural gas and energy that came from imports, but especially a major influence was the quotation of petroleum products, which in the last period, have registered increases due to the pandemic context, but also to the events in Ukraine. Other factors that led to cost fluctuations in the case of energy and natural gas costs are marked by the following aspects:

- an increasingly high stock market rating;
- the increasingly high costs of natural gas imported from our country;
- excess export of natural gas from our country.

### 1.3 Share of purchasing power



Source: EUROSTAT

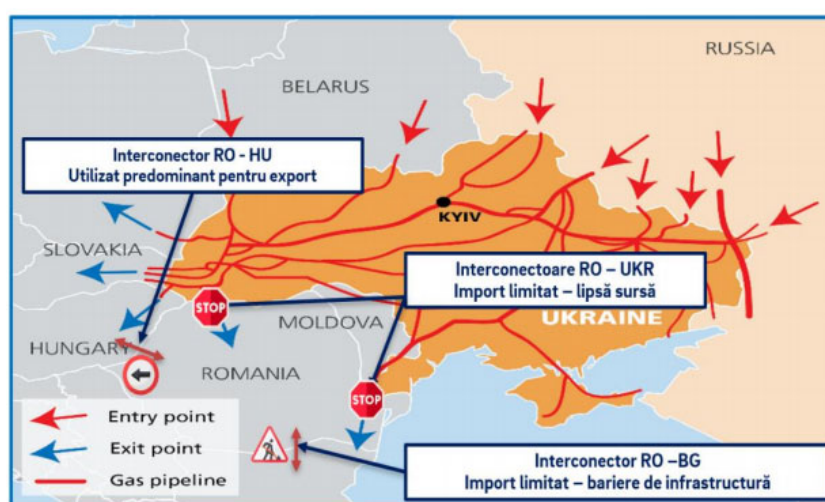
If we analyze the average costs borne by consumers for energy and natural gas in relation to the average income in our country, we can see (according to graph 3) that in 2015 the most pronounced decrease in purchasing power was recorded, but this was corrected in 2019, reaching a maximum.

Also from the interpretation of the graphs, it can be noted that during the years 2020 - 2021, a maximum was recorded regarding the purchasing power of consumers.

### External factors that generated cost fluctuations

The main factors that determined the price fluctuations for the energy and natural gas market is generated by the current context of the Russian Federation, such as the decision-making in choosing alternative natural gas transport routes for the supply of the European Union, than the traditional route that transited Ukraine. [3].

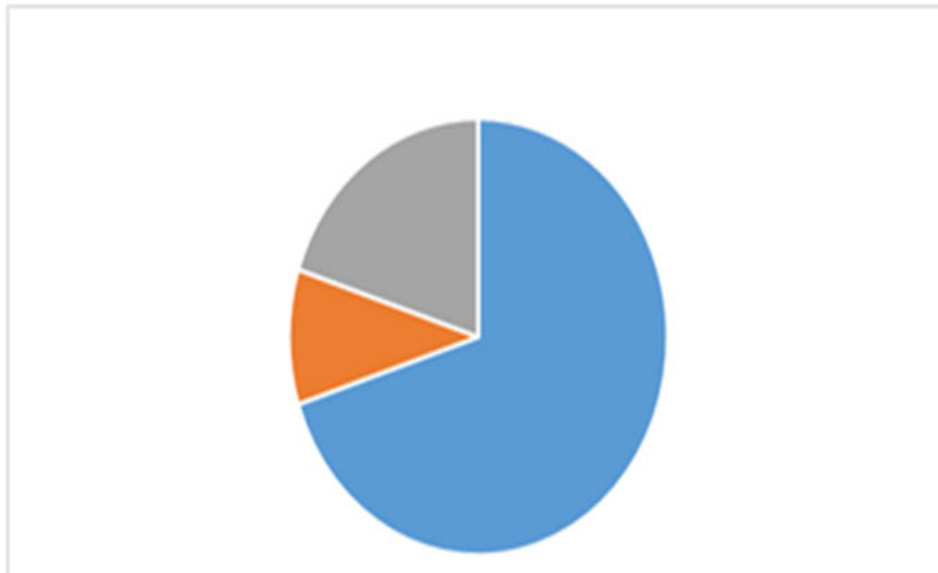
An aspect that cannot be neglected is that the Ukrainian infrastructure and system provide about two thirds of the consumption requirements from the Russian Federation to Europe. Regarding Romania, the most relevant routes that ensure the supply of energy and natural gas are presented in the following figure.



**Figure 2.1 Diagram representing the route of the Russian Federation - Ukraine - European Union**

The composition of the final cost reflected in the consumer invoice is made up of three basic components, namely: [2]

- the price at which it is purchased from the supplier covers approximately 70% of the cost of the final invoice;
- the difference between the total cost and the cost from the supplier is represented by the operating services, as well as the natural gas distribution system from the supplier to the beneficiary.



**Graph 2.1 Cost composition and impact on the invoice [4]**

- Furnization cost;
- Transport cost;
- Distrubutiun COST

### 3. CONCLUSIONS

The impact that the final consumer feels in the context of price fluctuations of the last period, fluctuations that were mostly generated by the current context, can be mitigated by a series of measures, such as:

- In the short term
  - implementation of strategies and information campaigns for end consumers to identify the most advantageous price and delivery conditions;
  - the urgency of steps leading to the identification of vulnerable consumers, but at the same time emphasizing the implementation of strategies to increase performance;
- In the medium term
  - diversifying the portfolio of services offered by the main players on the market by introducing the possibility to store natural gas based on a multi-annual profile and granting discounts;
  - the urgent issuance of the legislation related to exploitation in the Black Sea, the forecasted production from the Pontine area being likely to balance the ratio between the regional demand and supply of natural gas in the medium and long term;
- In the long term
  - preparation of the XI round of concessions necessary for the identification of new perimeters with petro-gas potential.

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