“BABEȘ-BOLYAI” UNIVERSITY CLUJ-NAPOCA
FACULTY OF HISTORY AND PHILOSOPHY
DOCTORAL SCHOOL OF INTERNATIONAL RELATIONS AND SECURITY STUDIES

SUMMARY
PhD THESIS

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Governmental instability and energy security in Romania: An analysis of the impact on Black Sea concessions

- Summary -

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ACROPO – Competent Authority for Regulating Offshore Oil Operations in the Black Sea

ANRE – National Energy Regulatory Authority

AUR – Alliance for the Union of Romanians

BIRD – International Bank for Reconstruction and Development

BRUA – Gas Pipeline Transiting Bulgaria, Romania, Hungary, and Austria

BSOG – Black Sea Oil & Gas

CCA – Climate Change Act

CEE - Central and Eastern Europe

DBFO – Design; Build; Finance; Operate and Maintain in Public-Private Partnerships

EDG – European Green Deal

EEZ – Exclusive Economic Zone

EPZ – Ecological Protection Zone

GHGs – Greenhouse Gases

IEA – International Energy Agency

IGOs – Intergovernmental Organizations

ILC – International Law Commission

IMCZs - Integrated Coastal Management Zones

INGOs – International Non-Governmental Organizations

IRENA – International Renewable Energy Agency

LOSC - Law of the Sea Convention

MBC – Montego Bay Conference

MFIs – Multilateral Financial Institutions

NATO – North Atlantic Treaty Organization

NDPI – New Mineral Extraction Taxation System

NPM – Public Management

UN – United Nations

OPEC – Organization of the Petroleum Exporting Countries

OSCE – Organization for Security and Co-operation in Europe

PFI – Private Financial Investment

PMP – People's Movement Party

PNL – National Liberal Party

PPP – Public-Private Partnership

PRO – Pro Romania

PSD – Social Democratic Party

R&D – Research and Development

RES – Renewable Energy Sources

USA – United States of America

UDMR – Democratic Alliance of Hungarians in Romania

EU – European Union

UNCLOS – United Nations Convention on the Law of the Sea

USSR – Union of Soviet Socialist Republics

USR – Save Romania Union

VMSB – Special Fund Payments for Oil Companies in 1994

Governmental instability is a frequently encountered characteristic in many political regimes (Lam, Zhang & Zhang, 2020; Fernandes & Magalhães, 2016). Concerns regarding the study of governmental instability stem from debates developed over time surrounding the definition of this concept (Hakimi, Boussaada & Karmani, 2022; Conrad & Golder, 2010). These contradictions have arisen both due to misconceptions equating it with political instability and difficulties in establishing the coordinates within which it can be categorized (Hakimi, Boussaada & Karmani, 2022; Conrad & Golder, 2010; Pickering & Kisangani, 2022; Walther & Hellström, 2019). Academic debates on this concept often focus on identifying and analyzing the impact that governmental instability generates on domains of strategic importance to a state or region (Escribano & Valdés, 2017).

Previous research has highlighted that governmental instability influences a country's energy sector, including its level of energy security (Azzuni & Breyer, 2017; Prontera, 2017). The stability of governance has gained strategic importance in the realm of regional and international energy security, given the effects that instability can generate (Prontera, 2017). Results have highlighted three types of effects on the energy sector: economic, political, and technological.

Economic effects revolve around the interaction between governmental instability and several defining elements for a state's energy economy, such as the energy market, private entities authorized to operate in exploration, exploitation, and energy production areas, energy demand versus supply, energy resource balance, or the phenomenon of energy poverty (Fernandez, 2007; Nikkinen et al., 2014; Magwedere & Marozva, 2023; O'Nolan & Reeves, 2018; Whitford, 2016). Based on these references, the main economic effects identified include: energy market volatility (Buchan, 2002; Fernandez, 2007; Nikkinen et al., 2014; Strigunov et al., 2022); investment blockages and discouragement of private companies in developing energy infrastructure projects (Calderón et al., 2014; Magwedere & Marozva, 2023; Müllner & Dorobantu, 2022); energy inefficiency and destabilization of the energy balance (Al-Rashed & León, 2015; Berrios & McKinney, 2017; Woudhuysen, 2012); limitations in exploration, exploitation, and production activities of natural gas and oil, and the promotion of energy poverty (Bazilian et al., 2013; Keil, 2013; Morgunova, 2020; Sovacool et al., 2013).

Political effects center around energy policies adopted at national, regional, and global levels (Erzurumlu & Gozgor, 2022; Szuleck et al., 2016). Theoretical results highlight how governmental crises and the lack of coherence among governmental factors contribute to the decreased performance or even failure of implementing both energy policies and

policies addressing global warming (Siddi & Kustova, 2021; Judge & Maltby, 2017; Goldthau & Sitter, 2020; Szuleck et al., 2016; Mansbridge, 2014). The link between governmental instability and energy policies, and the resulting repercussions, are analyzed at both national and European Union levels (Giddens, 2015; Kulin & Sevä, 2021). Two political repercussions identified include: reduced performance of energy policies and inefficiency in environmental protection policies and combating global warming (Proedrou, 2018; Hofmann & Staeger, 2019; Siddi & Kustova, 2021; Giddens, 2015; Kulin & Sevä, 2021).

Technological effects emphasize the development and operationalization of specific technologies in the energy sector, with studies showing that governmental instability increases the difficulty level of this process, or even halts the successful materialization of critical energy infrastructure projects (Nolden, 2013; Ćetković & Buzogány, 2016; Stanič & Karbuz, 2021; Öge, 2021; Kirkham, 2022; Talipova, 2022). Based on these criteria, two technological effects of governmental instability have been identified: limiting the transition of the energy sector to renewable technologies and green energy, and constraining the development of energy resource transport and distribution networks (Afifi et al., 2013; Öge, 2021; Kirkham, 2022; Skalamera, 2018; Talipova, 2022).

Despite these theoretical approaches investigating how governmental instability reflects on the energy security of a region and a state, few studies analyze the impact of governmental instability on concession contracts concluded in offshore areas of a state. Research on this topic is relevant because it exposes and argues the fundamental role that governance stability plays in the exploitation of natural resources and the development of national energy infrastructure with the involvement of concessionary entities. It highlights how the Government, as the de jure protector and enabler of offshore exploration and production operations of natural gas and oil, can become a source of risks to this segment of national energy in contexts of destabilization and inconsistency in policy adoption.

This thesis aims to fill this gap in the literature and analyze contracts concluded in Romanian territorial waters. The research question guiding this study is: What are the effects of governmental instability on concessions concluded in offshore areas of Romania's Black Sea?

Thesis Structure

This thesis is structured into eight chapters that capture the evolution of research on the effects of governmental instability on contracts concluded in Romanian territorial waters. The study begins with presenting the theoretical framework and defining key concepts, continues with identifying the main consequences analyzed theoretically, and concludes by substantiating, through substantial empirical evidence, how governmental instability influences offshore concessions.

Chapter 1 of this work presents the definition of the three identified key concepts, represented by governmental instability, concession contracts, and territorial waters, as defined in specialized studies (Bocse, 2020; Hakimi, Boussaada & Karmani, 2022; Pickering & Kisangani, 2022; Prontera, 2017). The chapter continues with a review and presentation of the conclusions of studies analyzing the effects of governmental instability on a state's energy security. The last section highlights the identified research niche and explains the relevance and contribution that the results of this study can bring to the specialized literature.

Chapter 2, structured into three sections, identifies and explains three categories of effects: economic, political, and technological, as resulting from previous research (Fudge et al., 2011; Lawrence, 2021; Magwedere & Marozva, 2023; Strigunov et al., 2022). Five economic effects are identified, centered around the energy market, investment flows, activities of state-owned or foreign private companies, as well as energy efficiency and balance. Political effects refer to the adoption and implementation of energy policies covering various segments including green energy, environmental protection, and CO2 emissions reduction policies. Technological effects focus on renewable technologies and the infrastructure for production, distribution, and transport of energy resources. Within this chapter, the causal mechanisms underlying the identified effects in the energy sector are also explained.

Chapter 3 analyzes a series of causes which, alternatively or cumulatively with governmental instability, lead to the generation of one or more identified economic, political, and security effects (Belenky et al., 2019; R. Heffron et al., 2021; Hilson & Haselip, 2004; Kaiser, 2022; Rădulescu & Druica, 2014). Four such causes are identified and explained, represented by economic instability, legislative vacuum, non-compliant fiscal regime, and divergent interests of state and non-state actors engaged in the energy security equation. Special attention is given to the role played by a state's institutional climate in this equation, framed as an intermediary variable catalyzing the production of effects of governmental instability and alternative causes on the energy domain (Adeyemi Afolabi et al., 2022; Kamal et al., 2023; Kwabi et al., 2023; Proedrou, 2022).

Chapter 4 presents the methodological framework, the research strategy applied to solve the empirical puzzle, and the analysis method used for processing primary and secondary data (Creswell & Creswell, 2018; George & Bennett, 2005; Gibbs, 1999; Jónasdóttir et al., 2018). The main aspects of the case selection process are presented, and the reasons for choosing Romania as a representative case study for the researched subject, relative to Central and Eastern European countries, are outlined. The chapter continues by presenting how data are collected, aiming to obtain primary data through 32 semi-structured interviews, as well as secondary data through the procurement and analysis of official documents from energy-related institutions/authorities. This chapter concludes with an explanation of the deductive thematic analysis selected as the method for processing the collected data.

Chapter 5 provides a detailed analysis of Romania's energy sector during the post-communist period, focusing on its development over the last three decades and contemporary challenges. This analysis first examines the evolution of the energy sector, the transition from independence to energy security, and the impact of international and regional dynamics on Romania's energy policies (Jonek-Kowalska, 2022; Maiorano, 2022; Radulescu et al., 2023; Zhu, Deng & Hu, 2023). The chapter continues by presenting the main contracts and agreements concluded over the last three decades, in which Romania has been and continues to be a signatory, aimed at exploiting energy resources in the Black Sea (Haar & Marinescu, 2011; Filis & Leal-Arcas, 2023; Nicuţ, 2023). In the final section, the integration process of the Romanian state into the framework of Western democratic societies is highlighted, from initial attempts to form a government and conduct transparent electoral processes in 1990, to the use of democratic innovations in July 2023 (Gherghina & Marian, 2023; Gherghina & Chiru, 2013).

Chapter 6 captures the results of the deductive thematic analysis applied to the primary and secondary data obtained. This chapter focuses on the empirical testing of the relationships formed between governmental instability and contracts concluded in Romanian territorial waters. The analysis results reveal economic, technical, and security effects that nuance existing theory while also bringing a series of contributions. Economic effects resulting from the research focus on the energy segment's master plan, activities of concessionaire companies, flows of foreign direct investments, and energy infrastructure projects initiated under the auspices of the concession institution. Technical effects target the dimension of natural gas and oil exploration, exploitation, and production operations, as well as renewable technologies, while security effects center on energy resilience, energy balance, and energy efficiency.

Chapter 7 also presents the results of the deductive thematic analysis applied to the collected data and tests the empirical data on the relationships formed between governmental instability, economic instability, legislative instability, and non-compliant fiscal regimes on one hand, and energy concessions on the other. Following a structure similar to the previous chapter, this analysis captures economic, technical, and security effects that alternative causes produce on contracts concluded in Romania's energy sector.

Chapter 8 continues the analysis and presents the main findings obtained from the analysis regarding the role and impact of Romania's institutional climate in the framework containing relationships between independent variables and identified repercussions. Additionally, this chapter presents a series of complementary elements that interfere with poor institutional quality and lead to problems in energy concessions.

This study concludes by presenting the main conclusions resulting from the conducted research. Empirical elements are exposed and argued by emphasizing their contribution to specialized literature, their relevance concerning the identified research niche, the originality component conferred to the study, and the added value. Subsequently, some of the research limitations encountered in the process are presented, as well as several future research directions that can be approached based on these results.

Keywords: governmental instability, energy security, concession contracts, territorial waters, economic effects, technical consequences, semi-structured interviews, deductive thematic analysis