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Romania is close to a deal with Rompetrol to get the country's biggest oil refinery running again. The Romanian-owned but Western-run company may manage the 100,000-barrel-a-day facility.

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GLOBAL CORPORATE REPORT

Romania Nears Deal for Oil Refinery

Rompertrol May Manage Nation's Biggest Plant

By JOHN REED
Staff Reporter

Romania is nearing a deal to get its biggest oil refinery going again after two botched privatization attempts.

The State Ownership Fund is in talks with Rompetrol, a Romanian-owned but Western-managed company, for a contract to manage Constanta-based Petromidia. Banks have pledged \$75 million (€69.8 million) to back up the proposed venture, says

Bucharest's vexed efforts to privatize Petromidia date back to 1997, when global companies including Daewoo of South Korea and Switzerland's Glencore lined up to bid. The nod went to a U.S.-based group called Petromidia U.S.A., which failed to come up with the money, leading to the tender's cancellation.

Akmaya Deal Falls Through

A second tender earlier this year, won by Turkey's Akmaya Sanayi Ve Ticaret, also foundered after that company failed to make its down payment. Romanian officials later said the company's bid was based largely on a letter of guarantee from a bank that Akmaya controls. The story took another bizarre turn last month when Romanian customs officials stopped an Akmaya employee allegedly trying to spirit boxes of Petromidia documents over the Bulgarian border by bus.

Rompertrol approached the government in July with an offer to manage Petromidia under contract, arguing that the refinery will be easier to privatize once it is running again. Majority-owned by two wealthy Romanians, Rompetrol is managed by Western oil-industry veterans led by Mr. Works, a former project-finance banker with ABN Amro. Earlier this year, Rompetrol bought Vega, a smaller Romanian refinery, and boosted its profit margin by installing Western management techniques and tighter stock and financial controls.

Government Annuls Tender

Romania's government called a third tender for that contract, for which five groups, including Rompetrol, bid. Rompetrol lodged a protest, charging conflict of interest on the part of Nicolae Staiculescu, the Ministry of Industry official running the tender. Rompetrol charged that Mr. Staiculescu, who is chairman of SNP Petrom, Romania's



state-owned national oil company, has ties with Yukos, backer of Rompetrol's rival Naftex.

Mr. Staiculescu has denied the allegations, but the government ruled in Rompetrol's favor and annulled the tender. This week the State Ownership Fund agreed to open talks with Rompetrol. "We are the best deal in town," said Mauricio Martins da Silva, Rompetrol's executive director.

A spokesman for the State Ownership Fund, which acts as steward for Romania's state-owned companies, confirmed that negotiations are on, but wouldn't give a deadline. Mr. Works said he hopes that the talks will be completed within two weeks, but added that many technical and financial details remain to be resolved, and could potentially scupper the deal.

The proposed deal also could founder if one of the other four companies from the canceled tender mounts a legal challenge. Rompetrol's managers say they are keeping a wait-and-see attitude. "I don't believe anything in Romania until I see it," said Mr. Works. "But," he added, "it looks like we won the tender."

ENERGY

John Works, Rompetrol's president and chief executive, and Texaco of the U.S. has agreed to supply crude oil to the refinery, buy some of its output and supply it with technical expertise.

From Asphalt to Jet Fuel

At stake is access to one of the largest refineries on the Black Sea coast and a logical conduit, Rompetrol hopes, for Caspian Sea oil. With 100,000-barrel-a-day capacity, Petromidia produces everything from asphalt to jet fuel. Romania also is a logical base for exports to Turkey, where August's earthquake damaged a leading refinery, and to neighboring Yugoslavia once the international oil embargo is lifted.

"We have a fair relationship with Rompetrol and an interest in strategically developing that region from both an upstream perspective and on the trading side," said Brian Savino, general manager of Texaco Oil Trading in London.

Idled in February, Petromidia sputtered back to life at partial capacity last month on supplies from Naftex Oil Trading Ltd., a British Virgin Islands-registered company backed by Russia's Yukos Oil Co., and Rompetrol's rival for the management contract. Already more than \$300 million in debt, the refinery has been costing Romania's government \$3 million to \$4 million a month in lost tax revenue.