Chevron announced on February 20th, its decision to renounce shale gas exploration in Romania, in what was deemed by company representatives “a business decision” that follows evaluations of the Romanian project, which is at this point unable to compete with other more favorable investments in the company’s global portfolio.  Chevron finalized exploratory drilling in 2014 in the Bârlad perimeter (Vaslui County, East Romania), as well as a 2-D geophysics study on two of its three Dobrogea region concessions, and had been analyzing the data since.

In 2013, the United States Energy Information Administration had estimated Romania’s shale gas potential at 51 tcf (1.4 bcm) of technically recoverable shale gas and 0.3 BBL of shale oil and condensate, with the figures raising high hopes both among investors and local officials and experts. However, the figures resulted from a theoretical model, based on structural comparison between North American and European shale geology and were, thus, just a rough estimation.

The news of Chevron’s exit did not come entirely as a surprise, and was somewhat expected after a statement last year by Prime Minister Victor Ponta during his presidential campaign, explicitly saying that there was no shale gas in Romania and all the fighting about it had been for nothing. Though at the time the statement could easily be interpreted as just a political message meant to take the contentious issue of shale gas off the campaign agenda, Ponta’s words now ring true – for all their disregard of Chevron’s own communication strategy.

Indeed, the story of shale gas in Romania has somewhat been that of a fight. Chevron has had to deal with public opposition and outright protests, including clashes with police; mis- and dis-information, and a lack of understanding about the fracking procedure and its risks; overwhelming bureaucracy and a highly volatile and confusing legal procedure when it comes to unconventional gas drilling in the country, even though no moratorium was ever officially instated, like in neighboring Bulgaria.

Romanian legislation does not differentiate between conventional and unconventional gas in terms of authorization procedures to be undertaken prior to operations. Instead, it grants the National Agency for Mineral Resources (ANRM) decision power over the schedule, technology and methods to be used in each drilling operation, on a case-by-case basis. In lack of comprehensive legislation which would take into account more than the few scenarios that the ANRM has grown accustomed to, the micro-management procedure at hand stalled the process and left it vulnerable to ad hoc interpretations.

Operations were further delayed by the bad reputation that shale gas and fracking quickly gained in Romania. This was favored by several factors. For one thing, shale gas was used as a political tool during the general elections of 2012, when some Social-Democrat candidates for Parliament promised to ban fracking should they be elected. However, it was precisely the Social-Democrat government of Victor Ponta that gave the green light for fracking just the next year, causing a lot of resentment and disappointment, even urging requests for his resignation.

Another factor to play a role was a stalled extractive project by a Canadian Company, Gabriel Resources, which had been faced with environmental protests for years on account of its intention to use cyanides in a gold-extraction project at Roşia Montană, in Romania's Apuseni Mountains. The project was highly mediatized lately, although it has been dragging on for over a decade. No proper information campaign to reassure the population on safety procedures was ever undertaken by either the company or the government, and when the company finally started communicating with the public, it did so though an advertising campaign, talking about the benefits of gold extraction for the local community, instead of addressing safety concerns. The advertising campaign, in effect, was perceived as misleading and ended up causing more harm than good to the project's image.

No public national information campaign was undertaken in regard to shale gas or fracking either – and it was not legally mandatory, either –, though a local one was eventually implemented by Chevron; however, only after protests had already begun, and only at a regional scale. The government chose to stay away from the issue, while think-tanks trying to inform the public had only limited reach, and definitely not in the rural areas where Chevron was operating.

There was much speculation about the origin of the protests and of the overall anti-shale gas campaign, whether they were local, or directed from the outside. Chevron encountered similar opposition in each of the Central and Eastern European (CEE) countries it operated in, which could lean the balance towards the explanation that protests were organized from the outside and were not just a product of domestic environmental activism (which, anyway, is hardly in its incipient stages in Romania overall).

However, with little proof publically available on either side, the more useful focus is on the fact that neither the government, nor the investor were sufficiently prepared to handle the public's reaction, a weakness that both actors would do well to address. Though it has not been this opposition that was the driver of the company's decision to pull out of either Romania, Poland (January 2015) or Lithuania (2014), it must have played a role in the company's cost/benefit calculations, especially in the current bearish market environment caused by the oil price slump.

Though Chevron's exit is not necessarily a verdict on the long-term potential of shale gas in the region, Romania included, it does prove right European shale gas sceptics, though not for the arguments they adamantly professed: population density, water supply, land ownership etc. The decision, instead, refers mainly to a lack of commercial volumes available for extraction with current Chevron technology, under the company's current financial situation.

Chevron has had to cope globally with an increase in its failure rate in 2014, representing 30% of all drills last year, as opposed to just 18% in 2013, with profits also falling 30% y-on-y in Q4 of 2014 to $3.47bn, the lowest level of the past five years, because of the low oil prices. Overall 2014 net profits dipped 10.3% y-on-y to $19.2bn, with investments to be reduced 13% y-on-y in 2015, after a mere 3.7% cut in 2014 from 2013 levels.

With the decision having been based on Chevron's specific financial calculations and on the geology of the CEE countries where drilling was undertaken, there is still hope for European shale gas development, albeit not in this region, at least not on the short term, and certainly not at the US level. The United Kingdom is now the flag bearer in this sense, with Germany also considering legislation to allow commercial shale gas fracking at depths of over 3,000 meters.

As for Romania, Chevron will release the results of proceedings to the ANRM, which are to remain confidential, in accordance with Romanian legislation. The details of the company's exit remain to be worked out, including the fate of the licenses that Chevron was granted. It remains to be seen whether other companies will be interested in investing, with no such outlook as of yet. Shale gas hopefuls have continued drilling, for instance, In Poland, even after Chevron's exist, however, with disappointing results (in February, Polish oil refiner and petrol retailer PKN Orlen and state-controlled oil and gas company PGNiG gave up one and four concessions, respectively, in their home country, citing technological and geological difficulties).

Romania's Vaslui County, where Chevron was drilling, and, for that matter, the country’s entire Eastern parts, are very poor, with little chance of economic growth in the foreseeable future. Chevron’s operations, therefore, would have been a real blessing, with the company already employing several locals at what was perceived as highly competitive salaries for the region. Chevron also temporarily revived local businesses by outsourcing many of its activities; moreover, it employed domestic drilling companies, which not only made a profit, but also benefited from the Chevron’s know-how. Chevron’s exit is also a loss for the country in general, since shale gas hopes had even managed to seriously put the idea of Romania becoming a regional gas hub on the political agenda.

However, the move might be a very welcomed wakeup call for the Romanian government and politicians in general in regards to the conditions that international investments require (transparency, speedy resolution of problems, political stability etc.). Moreover, it will hopefully focus their attention and efforts on the Black Sea offshore projects, where significant reserves are already proven, but where significant action is still necessary in order for them to become commercially viable: building the pipeline infrastructure to transport the gas into the national gas network and from there onwards to exporting points; deciding upon a reliable, profitable, yet commercially-attractive royalties system for oil and gas companies. Therefore, if losing Chevron will cause decision-makers to focus more on what they can do to help the investments in the Black Sea, surely the entire Chevron experience will not have been in vain.