

FACTS AND FIGURES REGARDING THE ROMANIAN OIL INDUSTRY UNTIL 1948

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Abstract

The development of the Romanian oil industry covers a relatively short period of only 160 years, but the interest that oil has produced has been and still remains enormous. The influx of foreign capital in the Romanian oil industry has undoubtedly contributed to its development, but foreign capitals have monopolized almost all the oil industry in the country. Romania has experienced the consequences of this situation, which has marked the future general development of the country. The year 1947, or "the final year of the Romanian oil industry based on private capital", did not complete the period of restoration, despite the aggressive intervention of the communist power. The Nationalization of the Romanian and foreign oil companies from June 11, 1948, made the first step towards the absolute management and control of the Romanian oil industry, the clear signal of Romania's political and economic isolation, with all its consequences, at least until 1964. Hence, in the year 1918, when Romania celebrates 100 years from its formation as an Unitary State, this paper aims at presenting some facts and figures about the Romanian oil industry from year 1918 up to 1948 (the year of Nationalization).

Keywords: *oil industry, domestic and foreign capital, oil and petroleum products trade, the oil law*

JEL classification: *Q35, N50, K11*

1. Introduction

The development of the Romanian oil industry covers a relatively short period of only 160 years, compared to iron, copper, silver, gold or salt mining, for which evidence has been found since ancient times. However, the interest that oil was given has been and still remains enormous.

In the second half of the nineteenth century, mining wealth (including oil) gained more attention, given their role, which could never be neglected, in the economic development of the modern Romanian state. From now on, they have been the subject of special legislation - mining laws. It is significant that in the second half of the nineteenth century, to the Parliament in Bucharest no less than six drafts mining laws (in 1863, 1870, 1873, 1881, 1886 and 1895 respectively (1)) were submitted. Of these, only one project - drafted by the conservative Minister P.P. Carp in 1895 - got to life. This project has a triple significance: it became the first mining law in Romania, introduced an important mining property reform, and finally inaugurated a state policy in the field of mining industry (2).

Within the mining laws, oil has played an increasingly important role, in direct relation to the increase in its significance in the modern age. Thus, first, the stipulations relating to oil were briefed in some articles of the law in 1895. Then there have been developed specific oil laws or have been granted a clear preponderance in the mining laws. This is the case with the laws of 1924, 1929 and 1937 which, although called "Mines Laws", were, by excellence, "Oil Laws".

Overall, until 1918, the Romanian state has managed to retain the largest part of its oilfields, an important prerequisite for promoting an adequate liquid fuel policy and avoiding the country's transformation into a battlefield for the international trusts (like Mexico or Persia). At the same time, however, the Romanian State, showing a "culpable passivity" (3), did not intervene promptly to repeal oil property regime introduced in 1895. This facilitated trusts offensive in Romania on

private oil fields, a domain our country reached before 1914 as "a factual situation similar to colonies" (4).

However, it is important to note that the influx of foreign capital in the Romanian oil industry has undoubtedly contributed to its development (5). The role of foreign capital was positive in the beginning of modern industrialization of Romanian crude oil exploitation, i.e. at the confluence of the nineteenth and twentieth centuries. Then the economic development of the country requested, among other things, the immediate capitalization of petroleum resources, which was impossible to achieve only through the activity of local capital, insufficiently quantitative and lacking entrepreneurial spirit.

Oil extraction and the creation of a competitive industry with that of other producing countries also required large amounts of capital that could only be bought across the border. At the same time, it should be underlined that in a short time (10-15 years) foreign capitals have monopolized almost all the oil industry in the country. Romania has experienced the consequences of this situation, which has marked the future general development of the country.

2. The interwar period (1918-1939)

At the time of the outbreak of the World War 1 (WW1), in country's oil industry was invested capitals of 11 different originated nationalities: German, English, Dutch, French, American, Belgian, Austro-Hungarian, Italian, Swedish and Romanian" (6).

After the end of WW1, for the ruling authorities in Bucharest it became as clear as possible that Romania could no longer dispense in the future of approving an appropriate program in the field of oil policy. The imperatives that led to this conclusion were added to the conviction that a foreseeable policy, appropriate to the great national interests, could be successful, despite the opposition of international trusts that was easy to see. This was because, unlike the situation before the war, Romania reunited after 1918 and the local bourgeoisie consolidated positions offered hope, if not certainty, for the successful completion of a positive program on liquid fuel. The approach of the oil policy program resulted from the interaction of multiple factors, which had a more or less important role.

In January 1918, the "Societatea Națională de Petrol" (National Petroleum Society) was founded by a group of engineers and geologists supported by "Creditul Minier" Society, with the participation of several banks. By adopting the liberal slogan "*through ourselves*", "Creditul Minier", which dealt with the exploitation and processing of crude oil, later became a company with exclusively Romanian capital and managed to build in 1934 one of the most modern refineries from the country and abroad, namely the Brazi refinery, which, modernized, operates at competitive parameters at present [1].

Also, "Creditul Minier", along with other banks, founded "Industria Română de Petrol" (Romanian Petroleum Industry) Society in June 1920, designed to concession land, to secure the monopoly on exports, the exploitation of oil fields and pipelines (to Giurgiu and Constanța) and to ensure sales on the domestic market. The establishment of this society by a group of Romanian businessmen, under liberal protection, meant the beginning of the re-launch of the Romanian capital in the Romanian oil industry.

In this respect, it should be noted that at the end of 1920, the German and Austro-Hungarian capital was completely eliminated in the oil industry and the Romanian capital controlled six large oil companies, which accounted for 30% of the total volume of exported goods. The main companies with foreign capital were: "Astra Română", with Dutch and English capital, and "Româno-Americană" with American capital. Thus, during the first part of the interwar period, Romanian, foreign and mixed capital was distributed as follows (Table 1).

Table no. 1: Capital structure in the Romanian oil industry, between 1925 and 1928 (%)

Nature of the capital	1925	1926	1927	1928

National	30.6	28.4	27.2	24.5
Foreigner	40.1	35.0	34.9	41.5
Mixed	29.3	36.6	37.9	34.0

Source: [6, p. 447].

Ten years later, the Report of the National Bank of Romania's Sixth Commission again took into account the nature of the capital in the oil industry. According to the Commission's data, the predominance of foreign capital was indisputable (Table 2), either in terms of the value of the investments or the value of the output:

Table no. 2: Capital Structure in the Romanian oil industry in 1937

Indicator	Capital (lei) / Production (tons)	Weight (%)
Foreign capital	7,281,568,000	72.92
Romanian capital	1,460,403,000	14.63
Mixed capital	1,243,710,000	12.45
Production of foreign companies	6,054,895	86.73
Production of Romanian companies	743,533	10.66
Production of mixed capital companies	182,572	2.61

Source: ‘Contributions to the Raw Materials Problem in Romania, II, Petroleum, Colorants, Rubber, Plastics and Natural Resins’, National Bank of Romania, Monetary, Economic and Financial Library, Bucharest, 1939, p. 101.

Six years took for post-war Romania, until 1924, to overcome the pre-war level of crude oil production. In fact, as seen above, the year 1924 was a crucial year, important in the evolution of the Romanian oil industry: the adoption of the new Mines Law stimulated the interest for oil, limiting the access of foreign capital.

The progress made between 1924 and 1928 in the development of oil industry, under the regime of the liberal Mines Law, is illustrated primarily by the increase in the gross production of "black gold". Thus, in the four years of applying the Mines Law, the increase of production exceeded about 2.5 times the level of 1924 (7). The average yield obtained from the processing of Romanian crude oil during the research period oscillated around the following figures: 25% - gasoline; 18% - kerosene; 8% - diesel and mineral oils; 49% - fuel oil or black oil (8). As can be seen, the lower products (fuel and residues) still had a large share of the obtained derivatives, while gasoline - the main and the most appreciated of the higher products - was obtained in small quantities.

Crude oil yields in the interwar period have made Romania rank the sixth in the world hierarchy of oil producing countries (after the USSR, USA, Mexico, the British Indies and the Dutch Indies - Indonesia). These productions were carried out by 63 oil companies, of which "Astra Română", "Steaua Română", "Concordia", "Romano-Americană", "Creditul Minier", etc., had a capital over 100 million lei (the strongest ones were "Astra Română" with over two milliards, and "Steaua Română" with one billion lei). In 1939, the total capital owned by the Romanian oil companies was 9,686,471,000 lei [2].

What essentially changed the issue of the Romanian oil policy after 1929 was the economic crisis that broke out that year, which seriously and almost equally affected industry, agriculture, transport and trade. Despite all reasons, in the four years of the economic crisis (1929-1933), Romania's oil production has grown unjustifiably compared to previous years. We appreciate that this growth, precisely in the years of the economic crisis, during which almost all countries, with the exception of the Soviet Union, reduced their production, was based on the interests of the world's big oil trusts with strong societies in Romania; these companies exploited the most productive deposits, with minimal spending, yielding maximum productions that they have thrown on the foreign market, especially the European one, at competitive lower prices, but still profitable.

The quantities of exported liquid fuel provided Romania with a leading position (7) among the exporting countries and a 4% share in the world trade in petroleum derivatives in 1927

(9). Thus, in the general export balance of Romania, the share of oil products exports was constant, over 40%, and in the period 1932-1935, it exceeded 50% [2], as follows: 13.1% in 1932, 55.3% in 1933, 52.8% in 1934, 51.7% in 1935, and 41.3% in 1936.

Moreover, the role of engines fuel oil in Romania's economic development during this period is also demonstrated by the share of the main products exported by our country between 1932 and 1940 (Table 3).

Table no. 3: Oil participation in the structure of Romania's foreign trade, between 1932 and 1940 (%)

Year	Petroleum products	Cereals	Wood	Miscellaneous
1932	43.10	34.30	7.30	15.30
1933	55.30	23.00	7.20	14.50
1934	52.80	17.40	10.80	19.00
1935	51.70	19.60	8.70	20.00
1936	41.30	31.50	7.70	19.50
1937	40.52	32.24	8.96	18.28
1938	43.24	24.42	11.45	20.89
1938	41.87	26.89	9.44	21.80
1940	62.40	18.29	4.96	14.35

Source: [6, p. 450].

As far as the export of petroleum products is concerned, although Romania ranked seven in the hierarchy of the oil producing countries with a share of 2.18%, in 1935 it ranked first in Europe and ranked third in the world (after USA and Venezuela), accounting for 11.6% of world exports. The export of Romanian petroleum products has been on a continuous rise: 45.7% in 1924, 58.3% in 1925, 68.2% in 1927, 75.1% in 1929, 79.5% in 1930, 80.9% in 1932, 76.2% in 1936, and 70.1% in 1939 [3].

Based on its availability, in 1936 Romania ranked third in the oil world trade (with 11.60% of the total) (10). The main export products required were gasoline (31.4% of the total in 1935) and fuel oil (23.7% of the total in the same year) (11). The large companies “Astra Română” and „Româno-Americană” used for external distribution the subsidiaries of Royal Dutch Shell and Standard Oil Co. trusts (12), while “Steaua Română” had its own affiliates (13). For the internal consumption operated “Distribuția” company, to which “Astra Română”, „Româno-Americană” or “Steaua Română” were subsidiaries, while “Concordia” company (of the Petrofina Group) operated starting with 1934 (14).

3. The period of the second world war (WW2) (1939-1945)

All the events in the Romanian oil industry of years 1939-1943 were indissolubly linked to the Romanian-German economic and political agreements. These agreements were numerous and culminated in the Agreement of March 23, 1939, excellently prepared by the Romanian specialists [4]. We will nominate several such agreements: (a) September 29, 1939, 5-year Agreement, by which Romania exported oil against German armaments; (b) May 27, 1940, known as the “*Weapons against Steel Pact - Ōel Pakt*”, which introduced the principle of compensation for mutual deliveries of goods; (c) December 4, 1940, the Romanian-German Protocol, in which the emphasis is on the Romanian import of industrial machinery and tools necessary for the modernization of the industry in general and of the oil industry, especially for oil, cereals and other products; (d) January 29, 1941, concerning the production of aviation gasoline, which Germany was in great need in invading Greece and imposed on the Romanian refineries the obligation to produce 10,000 tons of aviation gasoline per month.

Saying that the above-mentioned economic agreements did not represent their total number but only a part of them, we emphasize that the Romanian oil was the one that has always been at

the forefront of the war, extremely important to the German industry and its allies, the most notable being the exports of petroleum products between 1940 and 1944 (Table 4).

Table no. 4: Exports of Romanian petroleum products between 1940 and 1944 (tons)

Year	Crude Oil Production	Total exports of petroleum products	Germany	Italy	USSR
1940	5,810,000	3,492,957	1,552,033	305,636	-
1941	5,453,179	4,072,306	2,960,706	76,167	-
1942	5,665,357	3,373,542	2,211,385	862,391	-
1943	5,273,432	3,159,168	2,546,006	391,436	-
1944	3,525,000	2,115,711	1,288,611	3,312	744,082
Total	25,726,988	16,213,664	10,557,734	2324442	744,082

Source: [2].

Analyzing these data, it results that a total quantity of 12,982,976 tons of petroleum products was exported to the Axis countries during the period 1940-1944, i.e. approx. 78% of the total Romanian exports. Surprisingly, only between 12 September and 31 December 1944, 749,086 tons of Romanian oil products were delivered to the Soviet Union, and between 1 January and 30 June 1945 were delivered another 981,108 tons, whereas for the battle lines were actually destined only 147,752 tons (it was just the beginning of a new calvary for Romania and the Romanian oil industry).

Even during the war years, the major oil companies had a huge share in country's crude oil production (Table 5).

Table no. 5: The share of production made by major oil companies in Romania in the years 1942 and 1943

The society	Share of production (%) achieved in the year:	
	1942	1943
Astra Română	30.93	31.69
Concordia	11.66	12.32
Româno-Americană	10.89	10.48
Steaua Română	10.24	10.14
Unirea	9.27	9.32
Colombia	7.63	7.84
Creditul Minier	4.73	5.01
Prahova	4.32	4.16
Industria Română de Petrol	2.13	2.42

Source: Șandru, D., Saizu, I., On the Occupation of Romanian Oil by Hitlerite Germany (1940-1944), in "The Yearbook of the Institute of History and Archeology "A.D. Xenopol", Iași, 1.11 / 1965, page 17 (table).

The balance of the participation of the Romanian oil industry in WW2 is demoralizing, due to its huge damage: the exploration and exploitation drilling activity has been considerably diminished and reflected by the drop in crude oil production, while the oil products deliveries to the USSR (representing 42% of the total compensation for the war) have slashed the Romanian economy; pipelines, pumping stations, oil tankers and installations were severely affected. In 1944 compared to 1940, the processing capacity of Group I refineries was reduced by 52%, Group II refineries by 37% and refinery storage capacity by 61%.

The allied aerial bombardments over the oil regions and especially the city of Ploiești, caused extensive damage in oil scaffoldings, crude oil and petroleum products transport system (of major or local interest pipelines), pumping stations and petroleum harbors, amounting to 5,245,000,000 lei, and completely destroyed some refineries, while others were severely damaged, the total

damages suffered by them amounting to 25,968,000,000 lei, the biggest damages of 16,840,000,000 lei being recorded in 1944 [4].

The destruction of large refineries, tanks and products stored in refineries and oil scaffolding, lack of investment and the numerical reduction of skilled workforce, the closure of more than 25% of the extraction oil-wells have made the country's oil production continuously decreasing from 6,610 million tons in 1938, to only 3,525 million tons in 1944. The war damages added to the confiscation by the Soviet authorities of 50,678 tons of oil equipment and machinery, drilling and extraction materials, means of transport, including those from the repair workshops which, between September and December 1944, were dismantled and transported to the USSR, being considered war trophies for delivering petroleum products to the German army.

4. The restoration of oil industry potential (1945-1948)

After WW2, 26 companies still activated in the Romanian oil extraction industry: 19 foreign companies, which accounted for 86% of the total production, and 7 Romanian companies, which made the remaining 14% of the country's crude oil production (15).

The recovery program had a direct reference to the number and quality of installations and materials for the oil exploration and exploitation drilling, to the commissioning of new oilfields, to the need for reconstruction of severely damaged refineries with worn out installations, and many of them decommissioned by their takeover by the Soviet Union; all of these were in need of important financial resources that were missing, although in January 1945, through Law no. 655, the "*National Restoration Loan*" was launched, which was not followed by beneficial effects however (16). Parallel to launching this program to restore the Romanian economy, in general, and the oil industry, especially, on the political and economic realm there was an almost total assimilation of the country by the Soviet Union (17).

In January 1945 were established the obligations imposed on Romania to pay a six-year (1944-1950) debt of US \$ 300 million to the USSR, representing the payment of "war reparations" claimed to Romania under art. 11 of the Armistice Convention. The largest share of this debt was represented by oil products (\$ 150 million) and oil equipment (\$ 20 million) [5]. In the same scope falls the initiative, materialized in the Decree-Law of August 1, 1945, for the construction of a main pipeline on Făurei-Brăila-Galați-Reni route in order to accelerate the traffic of petroleum products to the USSR. We must point out that the realization of this pipeline was made by decommissioning an existing pipeline on Ploiești-Teleajen-Giurgiu route and that our country has borne all the construction expenses amounting to 3,800,000,000 lei [6].

At the same time, in 1945, the deliveries of Romanian oil to the USSR, recorded the following values: on behalf of art. 10 and 11 of the Armistice Convention - 418,254 t and 2,541,592 t, respectively (i.e. 94% of the total exports), and behalf of the Romanian Soviet Trade Agreement on May 8, 1945 - 181,948 t (i.e. 5.79% of the total exports); hence the conclusion that in 1945 the entire Romanian export of petroleum products has been routed to the USSR [2]. The same route will be taken by Romanian oil products during 1946: out of a total export of 2,270,631 tons, in the Soviet Union were delivered 2,166,108 t, and the rest of approx. 77,000 t went to Czechoslovakia, Poland, Hungary and Switzerland [2].

The year 1947, which we could call the "*final year of the Romanian oil industry based on private capital*", did not complete the period of restoration, with all the aggressive intervention of the communist power. With the Nationalization of the Romanian and foreign oil companies from June 11, 1948, it was the first step towards the absolute direction and control by the State of the Romanian oil industry [7]. The nationalization of industrial and, in particular, oil companies was the clear signal of Romania's political, economic and informational isolation, with all its political, economic and social consequences, at least until 1964 .

5. Conclusions

Between 1918 and 1948, past historical vicissitudes and economic crises have made that productions in the extractive industries developed in leaps and bounds, often with periods of recovery or decline. The general economic impetus of Romania after 1924, influenced by the favorable external situation, led to the commissioning of new deposits, the increase in the number of mining, oil and gas companies, of their equipment and technical level, as well as of modernization of preparation facilities.

Moreover, between the two World Wars, the mining, oil and gas industries in Romania have progressed a lot, gaining a number of technical achievements that have reflected in increased yield and reduced production costs. In the mining laws of that period, oil-related gas was given no attention, unlike oil, which played an increasingly important role, in direct relation to the increase of its significance in the modern age; hence, huge capitals were drawn in this industry, especially from foreign companies. Thus, for the first time, the stipulations on oil were seen in some articles of the Law of 1895. Then, special Oil Laws were drawn up and timid introduction of natural gas specification began. This is the case with the Laws of 1924, 1929 and 1937 which, although called "Mines Law", were, by excellence, "Oil Laws".

In the year 2018, when we celebrate the centennial of the Great Union, this article aimed at revealing some facts and figures in the history of the oil industry in Romania between 1918 and 1948: the formation of a modern oil industry based both on domestic and foreign capital; the major contribution of this industry both to the economic development of the country in this timeframe and to support the front during WW2; as well as the status of this industry in 1948, the year of Nationalization (the evolution of this industry after 1948 and until 1989 will be presented in our next article).

ENDNOTES

- (1) According to I.G. Vântu, 'The Mining Fields Ownership in Romania', Bucharest, "Mârvan" Institute, 1938, p. 10; N.I. Moruzi, 'The legal regime of the mines in Romania' (Loi des Mines de 1924), Paris, Jouve et C-ie, Éditeurs, 1926, p. G.G. Anagnoste, 'Mining Legislation and Romanian Petroleum', Ploiești, Tip. "Aurora", p. 15.
- (2) M. Plătăreanu, 'Economic and Social Policy of Romania in the Past and Current Legislation', pp. 169-170.
- (3) According to I.N. Angelescu, 'Report on the draft law on the trade of petroleum products in Romania', in "The debates of the Deputies Assembly" (Meeting of 28.III.1921, p.1570).
- (4) Ibidem Endnote (3).
- (5) Octav Constantinescu, 'Contribution of foreign capital to the Romanian petroleum industry', Bucharest, 1937, pp. 57-59; T. Savin, 'Foreign Capital in Romania', Bucharest, Eminescu Publishing House, 1947, p. 45.
- (6) According to Tancred Constantinescu, 'Reason for Mines Law', in "The Mines Law with Explanatory Memorandum", Bucharest, Imprimeria de Stat, 1924, p. 135.
- (7) Romanian Oil Monitor (ROM), no. 8 / 15.IV.1931 (Supplement).
- (8) 'Aperçu general de l'industrie du pétrole roumain', in "La Roumanie Économique", no. 8-9 / 1927, p. 83.
- (9) Mihail Pizanty, 'The Current Situation of the Romanian Oil Industry', Bucharest, 1928, p. 17.
- (10) Victor Slăvescu, 'Petroleum Industry in the National Industry', p. 91; M. Constantinescu, 'Importance of Romania in the Petroleum World Trade', in ROM, Special issue, 1937, p. 68. (The author was also based on a special study by Mihail Pizanty, 'Romania's situation in the world oil trade', 1936 or 'La situation de la Roumanie dans la commerce mondial du pétrole', 1937); Șerban Gheorghiu, 'Export of Romanian Petroleum Products', ROM, special issue, 1937, p. 142 et seq. (comments and export table by destination countries 1913, 1920-1936); Paul Zotta, 'Contributions to Some Problems of the Romanian Oil Distribution', Bungay (Suffolk), Richard Clay and Sons, Ltd., 1936, passim.
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- (12) Paul Zotta, 'Contributions to Some Problems of the Romanian Oil Distribution', Bungay (Suffolk), Richard Clay and Sons, Ltd., 1936, passim, p. 1-3.
- (13) Ibidem Endnote (12), p. 3.
- (14) Ibidem Endnote (12), p. 7.
- (15) Ionescu, D., Ivănescu, I., 'The evolution of the Romanian oil industry after the First World War until today', in "Oil and Gas Journal", no. 9-10, festive edition, sept-oct.1957.
- (16) Ibidem Endnote (15).
- (17) Thus, on May 8, 1945, an additional agreement was signed for the delivery of petroleum products to the USSR, an agreement which prefigured, under conditions imposed and accepted by the Romanian side, the establishment of the famous SOVROMs, starting with the SOVROM-Petrol Society (on July 17, 1945), by which the Romanian oil industry was left at the Russian control.

6. References

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