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Government announces resolution process for INA-MOL dispute

October 14 2013

Steps were recently taken to resolve a lengthy dispute between the government and MOL (Hungarian Oil and Gas Plc) over INA (the national oil and gas company) (for further details please see "[MOL offer to purchase INA shares raises concerns for energy sector](#)"). For years, INA had a monopoly in the exploration, exploitation, upstream, downstream, wholesale and retail of oil and gas in Croatia and was a leading company in the region. It was privatised in 2003 through a public procurement process; MOL acquired 25% plus one share. Transparency was subsequently lost, which led to several disputes between shareholders.⁽¹⁾

The dispute between the government and MOL included issues related to, among others:

- sales performance and shareholder agreements;
- the modernisation of two refineries by MOL;
- the circumstances surrounding amendments to shareholder agreements in 2009, when MOL acquired management control over the company through alleged corrupt behaviour of the former prime minister;
- the possible acquisition of a controlling percentage of INA shares, which is contrary to the shareholder agreements and national legislation; and
- INA's gas business.

Negotiations for an amicable solution finally commenced and the first meeting of the parties' representatives took place recently. However, a recently announced public tender⁽²⁾ for consultants for the dispute resolution negotiations between INA shareholders, the government and MOL suggests that the government expects the negotiations – which will ultimately decide INA's destiny – to be lengthy and complex.

Candidates for consultant positions should be able to demonstrate knowledge and understanding of:

- Croatia's economic situation;
- existing trends in the oil and gas industry; and
- the possible impact of INA's business on the Croatian economy, based on publicly available data and information.

Consultants must have experience in developing strategies for oil and gas companies (exploration and exploitation, refining, wholesale, retail and gas business) in both central and eastern Europe and globally during the past five years.

Consultants should also have expertise in:

- European due diligence;
- corporate governance models in strategic partnerships when the state is the minor shareholder; and
- increasing the business efficiency of companies under state ownership.

The post is likely to last for 12 months – three months for analysis and negotiation platform preparations and nine months for consultancy in negotiations.

The consultancy assignment project is comprehensive and will benefit Croatia by dealing with the following areas:

- strategic business and financial issues with regard to INA's position within the MOL group, including upstream, downstream and retail in various models;
- corporate governance of international oil companies when the state is the minor shareholder;
- gas business as it is contracted in the particular case, and gas market influence;
- amendments to the contracts signed by the parties involved;

- implementing the results of the negotiations, and coordinating with government bodies and all other advisers with regard to the negotiations; and
- the activities timeframe for the negotiations and coordination of all government expert advisers.

The tendering and bidding process will take place in Croatian. Joint bids are allowed. The estimated value of the contract is HRK10 million (approximately €1.35 million), excluding value added tax (VAT).

The bidding period ends on November 12 2013, when the bids will be opened publicly.

A tender will be awarded to the most economically advantageous bid, taking into account the following criteria:

- the bidder's specific experience;
- the project approach and plan adequacy;
- team qualifications and competency; and
- price (including VAT, as there is no VAT pre-payment deduction).

The bid will be awarded within 30 days. The consultancy is expected to commence in January 2014 and last for the year.

Since both companies are partly state owned and their business activity is of national economic interest, in addition to business and economic relevance, the dispute has political consequences for the relationship between two historically connected neighbouring countries.⁽³⁾

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Endnotes

- (1) See "[Chronology of INA-MOL: 10 yrs from strategic partnership to intl. dispute](#)".
- (2) General management consultancy services 2013/S 193-332897 contract notice services, available [here](#).
- (3) See Zoltan, S, "[Hungary Contests Mol CEO Warrant, Pushes INA Sale Option](#)".

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