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Hydrocarbon exploration and exploitation tenders in the Adriatic

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Hydrocarbon exploration and exploitation Strategic Investments Act

Exploration and exploitation of oil and gas in the Croatian Adriatic has been a priority of the government since it took office. To prepare the grounds for the tenders, the relevant legal framework was passed (for further details see "[New hydrocarbon exploration and exploitation regime](#)"). Norwegian company Spectrum Geo was then contracted to acquire 2D seismic data off the coast of Croatia.

Hydrocarbon exploration and exploitation

Seismic shooting started in September 2013 – in spite of expected opposition from environmentalists and certain upstream professionals who considered the survey unnecessary – and was successfully completed on January 20 2014. The new seismic survey provides approximately 15,000 kilometres of modern long-offset data. Mr Rune Eng, president and chief executive officer of Spectrum, commented on the results of survey: "Early results from processed data already indicate new, untested hydrocarbon systems and plays."<sup>(1)</sup>The government is also convinced that the hydrocarbon potential of the Croatian Adriatic is significant.

In the meantime, the government selected IHS Global Limited, UK as consultants in the preparation and implementation of the public tender procedure. Furthermore, the Hydrocarbons Agency was established<sup>(2)</sup>; its main purpose is to provide operational support to competent bodies participating in the exploration and exploitation of hydrocarbons. The agency should organise presentations to potential investors and provide all necessary support to investors participating in hydrocarbon exploration and exploitation.

At the end of February 2014, the government announced that the tender is scheduled for April 2014. As of March 10 2014, access to the seismic data will be available to all interested investors in the data room set up with the Hydrocarbons Agency. Both new seismic data acquired by Spectrum and 20 year old state-owned data will be available in the data room. Old data can be bought from the agency and new data from Spectrum. The government has reported that ExxonMobil signed a pre-contract with Spectrum to purchase data for the entire Adriatic, whereas Total Eni and Marathon Oil signed a pre-contract to purchase part of the seismic data.

Croatia will offer 29 blocks in total, eight located in the northern Adriatic and 21 in the middle and southern Adriatic. Each block will be between 1,000 and 1,600 square kilometres. The government also presented the financial model, which includes payment of fees and product sharing. Pursuant to this model, the state's share should be 60% of gas and 54% of oil. The next step is to pass the Ordinance on the Fee for the Exploration and Exploitation of Hydrocarbons, which is expected soon.

The government is keen to push this project forward; allegedly, more than 30 oil and gas companies have already expressed their interest in the tender.

Strategic Investments Act

On October 25 2013 the Croatian Parliament enacted the Strategic Investments Act.<sup>(3)</sup> The goal of the new legislation is to give preferential treatment to investment projects of national interest. Strategic projects can be private, public or public-private partnerships that secure employment, improve standards of production and service, develop new technologies, ensure added value, increase competition and have a positive effect on the economy.<sup>(4)</sup> The threshold for the investment is Kuna 150 million (approximately €20 million) in order to be eligible for strategic project status before the administrative body.<sup>(5)</sup> Energy projects are particularly eligible for strategic project status.<sup>(6)</sup>

The administrative procedures for strategic projects should be expedited (eg, lower-level administrative bodies are excluded from the permit or approval process) and urgent, meaning that governmental bodies are obliged to render respective decisions within 15 days (30 days in exceptional cases).

Hydrocarbon exploration and exploitation and the Strategic Investment Act are the government's anti-recession projects; both aim to attract new investments in Croatia and facilitate economic recovery.

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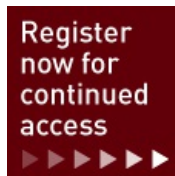
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#### Endnotes

- (1) [Spectrum press release](#) of January 21 2014. Survey map and facts are available at [www.spectrumasa.com/data/multi-client-data-library](http://www.spectrumasa.com/data/multi-client-data-library).
- (2) Hydrocarbon Agency Act (*Official Gazette* 14/14).
- (3) *Official Gazette* 133/1.
- (4) Article 2 and 5.
- (5) Article 6, para 3.
- (6) Article 5, para 2, point 5.

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