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Energy & Natural Resources - Croatia



Latest news from the natural gas market

April 30 2012

[Introduction](#)
[Legal framework](#)
[Changes to legal framework](#)
[Other developments](#)

Introduction

Since August 1 2008 the Croatian gas sales market has been fully open, with customers entitled to choose their supplier, the quantity and the price. The only natural gas producer is the national oil and gas company, INA dd, which meets approximately 60% of national needs. Gas is exploited in the northern Adriatic thorough INAGIP Ltd (an incorporated joint venture between INA dd and Eni SpA) and ED-INA Ltd (an incorporated joint venture between INA and Edison SpA) (for further details please see "Oil and gas exploration update"). Prirodni plin doo(1) is the only natural gas importer, while the only natural gas storage facility, Okoli, with a capacity of 550 million cubic metres, is owned and operated by Podzemno skladište plina doo, which in turn is owned by Plinacro, the national transmission system operator.

Following the construction of the Donji Miholjac-Dravaszerdahely interconnection (for further details please see "Prospects for the natural gas market"), in January 1 2011 INA signed a three-year contract with Italian company ENI securing 750 million cubic metres of natural gas a year.

In addition to Plinacro, the national transmission system operator, there are 36 registered distribution system operators.

Legal framework

The Croatian gas market is regulated by the Gas Market Act.(2) The market activities are:

- the production and supply of gas to eligible customers;
- mediation and representation; and
- trading on the gas market (the price and quantity of delivered gas is freely negotiated).

On the other hand, the following are regulated activities and are performed as public service obligations:

- transport, distribution and storage;
- liquefied natural gas (LNG) facility operation;
- the supply of tariff customers; and
- gas market organisation (carried out by Croatian energy market operator HROTE).(3)

The supply of gas to eligible customers and natural gas trading are market activities, while the supply of gas to tariff customers is a regulated, non-market activity.

Changes to legal framework

Through the January 2011 and January 2012 amendments to the Tariff System for Natural Gas Transportation (Rates Excluded),(4) Croatia abandoned the 'post stamp' principle and adopted the 'entry-exit' transportation tariff system. The post stamp principle still remains the tariff system in the distribution system.

Other developments

Following a tender announced in October 2011, Prirodni was granted an exploration permit in December 2011 and in March 2012 began the exploration of possible storage capabilities on the Grubiško polje field. The company has also invested in two additional wells, expected to commence operation in November 2012, which will add an additional 20,000 to 45,000 cubic metres an hour to the current extraction capacity of the Okoli storage facility of 280,000 cubic metres an hour.

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Plinacro has received grants from the West Balkans Investment Framework totalling €4.68 million. Of this, €1 million was granted for the feasibility and design study of the LNG RV project on the north Adriatic island of Krk; €180,000 for the LNG evacuation pipeline; and €3.5 million for the feasibility study of the Ionian Adriatic Pipeline. Croatia is the lead country in this regional project, which also involves Bosnia and Herzegovina, Montenegro and Albania. The pipeline is:

"a transmission supply project, of 520 km total length, [which] would create the preconditions for the development of the natural gas markets of Albania, Montenegro, Bosnia and Herzegovina and Croatia in the estimated annual level of 5 bcm."⁽⁵⁾

The 2011 investment in the transport network (an additional 400 kilometres (km), meaning that the total transport network amounts to 2,410km, with a target of 2,775km) brought natural gas to the Central Adriatic region of Croatia. Since then, ENV Croatia Plin has begun construction of a distribution network of 1,450km.

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Endnotes

(1) Owned by INA.

(2) *Official Gazette* 40/07, 152/08, 83/09, 91/11 and 114/11.

(3) Available at www.hrote.hr/hrote/en/gas/default.aspx.

(4) *Official Gazette* 32/06, 3/072/11 and 2/12.

(5) Available at www.wbif.eu/, grant codes CRO-ENE-G-EC 04, CRO-ENE-G-EC 05 and REG-ENE-G-EC 02.

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