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Energy & Natural Resources - Croatia



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Prospects for the natural gas market

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Introduction

**New Donji Miholjac-Dravaszerdahely interconnection
Prospective distribution network
New Adriatic interconnection**

Introduction

The Croatian natural gas market comprises 3 billion cubic metres of transmitted gas, of which 65% comes from domestic production and 35% is imported (in 2009, 34% was imported from Russia and 1.5% from Italy, Slovenia, Germany, France and Switzerland).(1) Until December 31 2010 Croatia imported Russian gas through Ukraine, Slovakia and Austria through the Rogatec-Zagreb interconnection with Slovenia, which was put in service in 1978. Following a November 2010 tender, from January 1 2011 INA dd, the national oil and gas company, has a three-year contract with ENI Spa, Italy to secure 750 million cubic metres of natural gas, deliverable through both the old interconnection and the newly built Donji Miholjac-Dravaszerdahely interconnection.

The 2008 National Report on Electricity and Gas from the Energy Community Regulatory Board(2) identified the following natural gas market shortcomings in Croatia:

- lack of generation capacity;
- market concentration;
- heavy dependence on imports; and
- poor interconnections.

The government has sought to remedy these problems by overseeing the rigorous implementation of the second investment phase (2007-2011) of Plinacro's development plan.(3)

New Donji Miholjac-Dravaszerdahely interconnection

As the most important project in Plinacro's development plan, the new Donji Miholjac-Dravaszerdahely interconnection was built at the end of 2010. It connects Croatia, through the main Hungarian gas pipeline, to the Central and Eastern European transmission system and the future new European transmission system. It has a maximum operative pressure of 75-bar, a capacity 6.5 million cubic metres a year and power of 800,000 cubic metres an hour. With this €75 million investment, Croatia has secured a second natural gas supply route after 33 years. Although 37 distribution system operators are licensed gas suppliers, only two companies – Prirodni Plin doo (owned by INA dd and incorporated in the unbundling process) and Crodux Plin doo (licensed since April 2010) – are registered responsible parties in the gas market and none has yet leased the Donji Miholjac-Dravaszerdahely interconnection. However, both parties have announced possible leasing during the next heating season. Furthermore, since the new interconnection is bi-directional, Croatia will be able to become a supplier of natural gas via the planned floating liquefied natural gas terminal (for further details please see "Tender announcement due for new floating LNG terminal").

Prospective distribution network

At the end of 2009, the total length of the gas distribution network amounted to 17,720 kilometres (km), of which 2,094km were transmission system pipelines operating at 75 and 50 bar. To date, approximately 150km of transmission system pipelines have been put into service and 100km more are expected to be completed by the end of Summer 2011. All investments and construction are part of the Strategy of Energy Development (*Official Gazette* 130/09), according to which the transmission system pipeline network should amount to 2,800km by 2014, with a capacity of 5.5 billion cubic metres of natural gas a year.

New Adriatic interconnection

In a further step towards the diversification of the natural gas supply routes, Plinacro and Trans Adriatic Pipeline AG have signed a memorandum of understanding and cooperation enabling the

coordination of activities and the exchange of technical information, all aimed at the possible connection of the Ionian Adriatic Pipeline to the Trans-Adriatic Pipeline. The new connection is intended to be bi-directional, so it will guarantee Southeast Europe's natural gas supply from the Middle East and the Caspian region, as well as the future liquefied natural gas terminal on the island of Krk.

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Endnotes

- (1) Approximated values from the Croatian Energy Regulatory Agency Annual Report 2009.
- (2) Croatia has been a member of the Energy Community Treaty since 2005 and is subject to the Energy Community Regulatory Board's national report.
- (3) Plinacro is the sole Croatian natural gas transmission system operator.

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