European Economic and Social Committee, Employer’s Group & Croatian Chamber of Trades and Crafts, Croatian Employers’ Association and Croatian Chamber of Economy

Croatia’s role in supply and crude oil transit route

Zagreb, 14 November 2014

Strategic importance of JANAF oil pipeline
JANAF Plc. performs the activities of crude oil transport, as well as storage and reloading of crude oil and oil products.

- Designed capacity - 34 million tons of crude oil transported annually (MTA), while the installed capacity amounts to 20 MTA.
- Reversal flow on the Sisak-Coatian/Hungarian border-Sisak and Omišalj-Sisak-Omišalj sections (permitting procedure is under way).
- The JANAF system consists of the following:
  - Crude oil handling terminal at Omišalj on the island of Krk, with storage tank farm of 1,000,000 m³ for crude oil (of which 240,000 m³ for compulsory stocks) and 60,000 m³ for oil products and the accompanying pumping and metering stations and infrastructure.
  - 622 km long pipeline.
  - Shore-based crude oil handling terminals:
    - at Sisak, Virje and Slavonski Brod with storage tank farm (at Sisak of 500,000 m³ – of which 240,000 m³ for compulsory stocks; and at Virje of 40,000 m³) and the accompanying pumping and metering stations.
  - Omišalj-Urinj subsea oil pipeline linking the Omišalj Terminal and INA-Oil Refinery Rijeka.
  - JANAF-Žitnjak oil products terminal in Zagreb with capacities of 140,000 m³ (of which 100,000 m³ for compulsory stocks).
JANAF pipeline has significant role in oil supply to refineries of SE & Central Europe.

Oil transport 1979-2014 (end October) – approx. 200 mil. tons.
JANAF – ADRIA PIPELINES
EU PROJECT OF COMMON INTEREST

- JANAF is recognized as EU strategic pipeline through project of common interest entitled JANAF-Adria pipelines: reconstruction, upgrade, maintenance and capacity increase of the existing JANAF and Adria oil pipelines linking Croatian Omišalj seaport to the Southern Druzhba

- Two other promoters of the PCI are MOL (HU) and Transpetrol (SLO)

- PCI List of 248 projects was adopted by the European Commission on 14 October 2013

- JANAF – Adria is one of six oil pipeline projects
JANAF PIPELINE - IMPORTANT FOR OIL SUPPLY OF EU MS AND REGIONAL REFINERIES

JANAF OIL PIPELINE SYSTEM AND REFINERIES

Refinery capacities (MT):

- Rijeka (Croatia) 4,5
- Sisak (Croatia) 2,2
- Pančevo (Serbia) 4,8
- Novi Sad (Serbia) 2,5
- Brod (Bosnia and Herzegovina) 1,3
- Duna, Szazhalombatta (Hungary) 8,1
- Slovnaft (Slovakia) 6,1
- Kralupy & Lilvinov (Czech Republic) 8,2
Oil is to be dominant energy source in EU for many years

530.9 mil. tons

OIL & ENERGY SUPPLY SECURITY

Solid Oil Natural Gas Nuclear Electricity Renewable energy forms

2000 share of total 2015 share of total 2025 share of total
OIL & ECONOMY GROWTH - WAY TO „GREEN” ECONOMY

Value of EU oil import - $345 billion

World investment in oil until 2035 (in billion $, 2012) - $13.671 billion
WHAT DOES JANAF OFFER TO ENABLE OIL SUPPLY SECURITY INCREASE?

- Available capacities of pipeline and storage capacities of oil & oil products
- Two oil supply directions and diversification of oil supply sources
- Strategic partnership for new storage & pipeline projects
TO WHOM JANAF OFFERS CAPACITIES AND SUPPLY SECURITY?

Existing JANAF pipeline users

Existing and potential users who import oil only via Druzba pipeline mostly

Potential JANAF users, who have two supply routes and JANAF pipeline would be third

Data Sources: EU & EIHP
OIL CONSUMPTION AND IMPORT IN SE & CENTRAL EUROPEAN COUNTRIES

**OIL CONSUMPTION**

- Croatia
- Bosnia & Herzegovina
- Serbia
- Hungary
- Slovakia
- Czech Republic

**OIL IMPORT**

- Czech Republic: 7.82 million tons (2025), 7.85 million tons (2010/2012)
- Slovakia: 5.13 million tons (2025), 5.41 million tons (2010/2012)
- Hungary: 6.10 million tons (2025), 5.95 million tons (2010/2012)
- Serbia: 1.07 million tons (2025), 3.80 million tons (2010/2012)
- Bosnia & Herzegovina: 1.10 million tons (2025), 0.95 million tons (2010/2012)
- Croatia: 3.37 million tons (2025), 3.66 million tons (2010/2012)

Data Sources: EU & EIHP
OIL TRANSPORTATION - CHALLENGES AND THREATS

JANAF

Oil transportation in last 5 years

- INA, Sisak Refinery (Croatia)
- INA, Rijeka Refinery (Croatia)
- Brod Refinery (Bosnia & Herzegovina)
- NIS (Serbia)
- MOL (Hungary)
- Total

Graph showing oil transportation in the last 5 years from 2009 to 2013.
With the aim of securing and protecting, as well as prolonging the oil pipeline life service, it is necessary to conduct, among others:

- Continuous pipeline inspections and repairs, overhauls and similar
- System modernization (SCADA, GIS, Electricity system, ....)

Additionally,
- Construction of subsea oil pipeline linking the island of Krk and the mainland, which should replace the existing crude oil transport through the Krk bridge (2014-2015)
CHALLENGES

Energy policy, legislation and economics

- Increase of oil products import and refineries shutdown
  - Lower transport
- Environment protection and security requirements affecting higher transport costs and investment, on one side, and
- Pressure to lower transportation tariffs from refineries on the other side
  - Lack of money for investment
- Investment and cost in projects of supply security and protection usually do not bring new revenues to companies and jeopardize their profitability. Mostly, they cannot be realized on the basis of market rules
- In the EU oil transport activities are commercially driven among private actors and subject only to general competition rules of EU and country itself
- Oil pipeline projects are EU PCI as well as electricity and gas projects
- Oil pipelines contribute to energy supply security
  - But they are not eligible for the Union financial assistance in the form of grants for works, studies and financial instruments (Article 14(1) and (2) of the Regulation (EU) No 347/2013 „on energy infrastructure“)
JANAF enables oil supply security to:

- Existing users in SE Europe who transport oil via JANAF from two directions (Omisalj Terminal & Hungary/Druzhba pipeline)
- Existing and potential users in EU who are „land lock refineries” and have only one oil import direction (Druzhba pipeline)

JANAF has available capacities to increase oil transport significantly and to contribute to oil supply security more than it does today.

JANAF stores oil & oil products for the Croatian Compulsory Oil Stocks Agency and traders
- and have possibilities to construct new storage tanks (location permits are issued) for the compulsory stock storage of EU MS & SE European countries

Some intervention in legislation is eligible to enable funding oil projects (PCI) from EU funds and financial instruments.