

6th ERRA Energy Regulation & Investment
Conference



Natural gas distribution sector development: possibilities for new
distribution companies in Serbia

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Istanbul, Turkey
May 21-22, 2007

- **gas distribution, operation of gas distribution pipelines and trade for captive consumers are *activities of public interest* (while natural gas trade on free market is not), monitored by the Government and the Energy Agency**
- **for distribution company to perform activity of public interest the prerequisite is to obtain assignement contract by the Government as well as a license by the Energy Agency**
- **license is issued for the existing distribution networks, based on reports of the competent bodies, establishing the fulfillment of technical, energy and other conditions for performance of energy related activities**

- **Energy permit for constructions of energy facilities - responsibility of the Ministry of Mining and Energy**
- **Energy permit is precondition for Building permit issued in accordance with:
Energy sector Development Strategy and
Strategy Implementation Programme**

Existing models for natural gas distribution companies

- **State-owned enterprise (SOE)/daughter company of SOE**
 - **SOE founded by the Government of the Republic of Serbia**
 - **investment into SOE**
 - * **investment into SOE is not allowed so far,**
 - * **joint ventures with SOE are possible,**
 - * **loan agreements and commercial arrangement are possible, and the State appears as guarantor**
 - **Daughter company founded by SOE**
 - **Sources of investments**
 - * **investment in daughter company of SOE**
 - * **joint venture...**

- **Contract on assignment of right to conduct activity of public interest -*Assignment Contract***

Preconditions:

- **any form of company can be founded (except SOE)**
- **founder of the company - domestic and/or foreign person**
- **company must be fully in compliance with the legislation-technical conditions for equipment, environmental protection...**

- **Concession Contract**

Preconditions:

- ***Grantee*** – domestic or foreign person
- ***Grantor*** – the Government of the Republic of Serbia

Procedure: Serbian Government and Parliament to review the application, one member of Tendering Commission from Serbian Parliament, the Government of Serbia signs the contract

Conclusions

- *Concession Contract* - the most precise procedure
- *Assignment Contract* - avoiding tendering procedure, shorter procedure, transfer of energy facility into state property is not envisaged, risk of changes in legislation
- *Investment in daughter company of SOE* - the shortest procedure, risk of changes in legislation