

Energy activities regulation in Oil Sector of the Republic of Serbia

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AERS – background info

Independent regulatory body

Founded by the Energy Law (2004)

**Registered at the Trade Court in
Belgrade in June 2005**

Fully operational as of January 2006

Key tasks of AERS

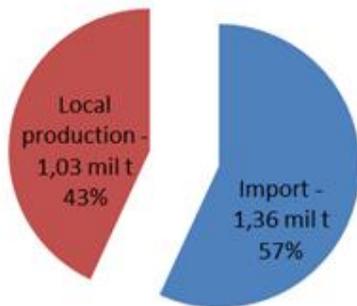
- **Adoption of methodologies for the calculation of prices of electricity and natural gas public supply, access and connection to systems, crude oil transport via pipelines**
- **Establishment of prices for system services**
- **Giving approval for regulated prices**
- **Monitoring the implementation of methodologies and approved prices**
- **Approval of: grid codes, system development plans and market code and cross-border capacity allocation in electricity**
- **Issuing and revoking licenses for all energy activities including production, trade and storage of biofuels and oil derivatives as well as crude oil and its products transport via pipelines.**
- **Keeping the licenses register and monitoring compliance with license requirements**
- **Deciding upon appeals in cases of refusal of network access**
- **etc.**

Licensed Activities in Serbian Oil Sector

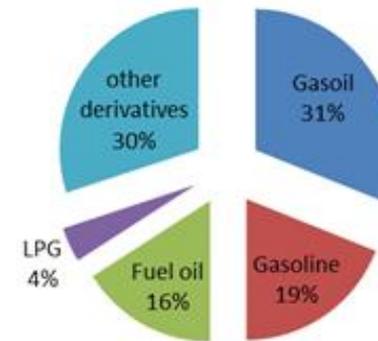
- oil derivatives production
- oil transport by oil pipelines
- oil product transport by product pipelines
- trade in oil, oil products, biofuels and CNG
- trade in motor fuels and other fuels on petrol stations
- storing oil, oil products, biofuels and CNG
- biofuels production.

2011: oil derivatives production

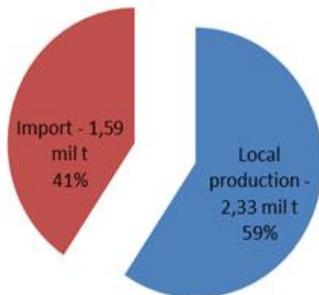
Crude oil origins



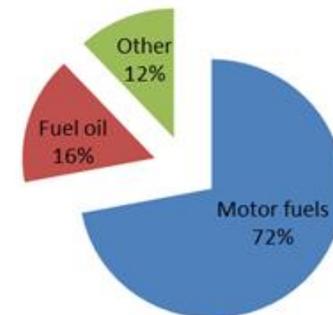
Derivatives production



Derivatives origin



Derivatives consumption

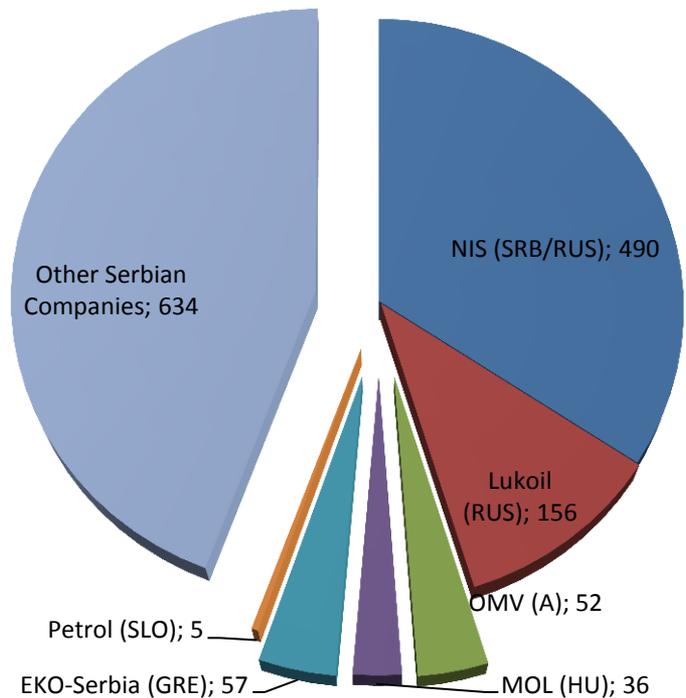


2011: wholesale & storage activities in oil and oil products

- 191 traders (11% less than one year ago)
- 13 storekeepers (same since 2009)

2011: retail market

- 370 retailers (384 in 2010.) on 1.450 petrol stations
- ownership structure:



Crude oil transport

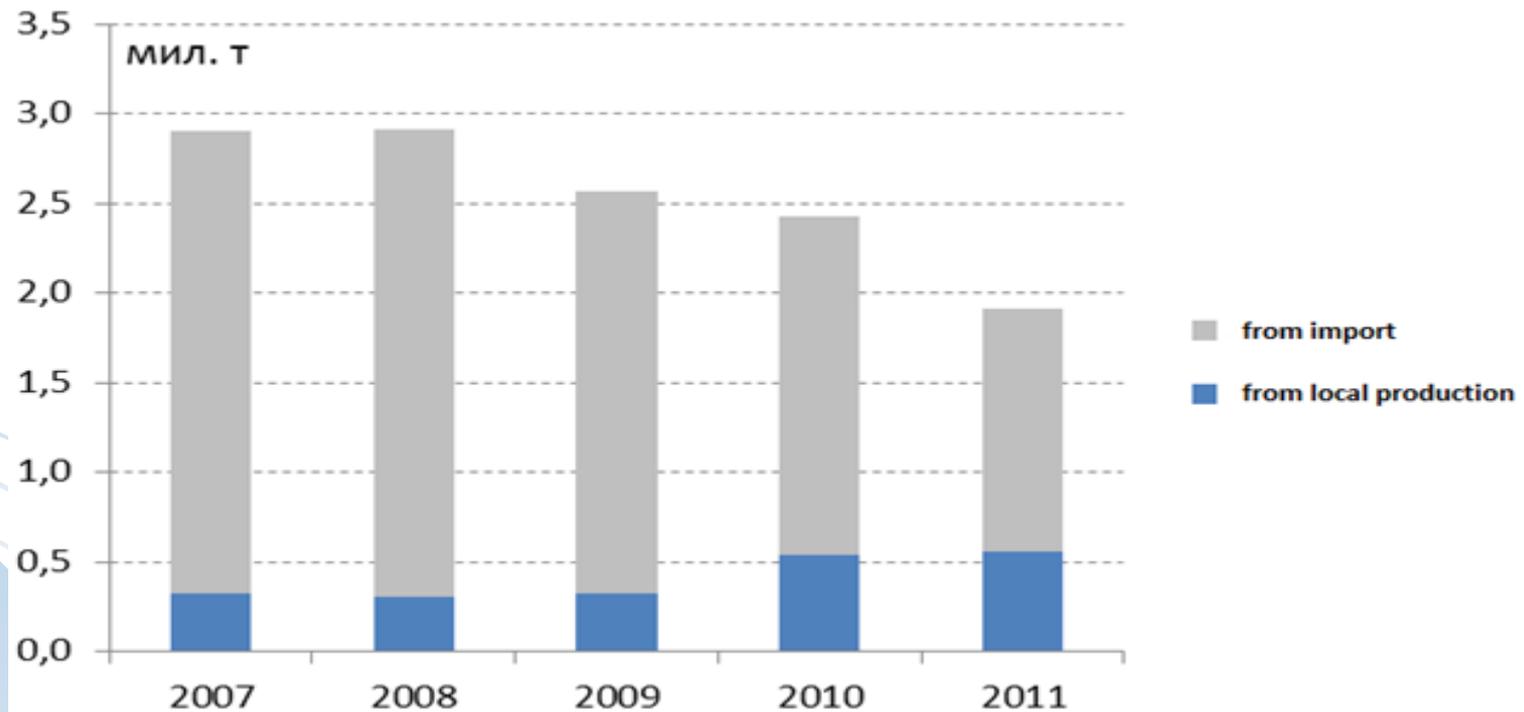
Janaf(CRO)+Transnafta(SER)



Regulation of pipeline transport

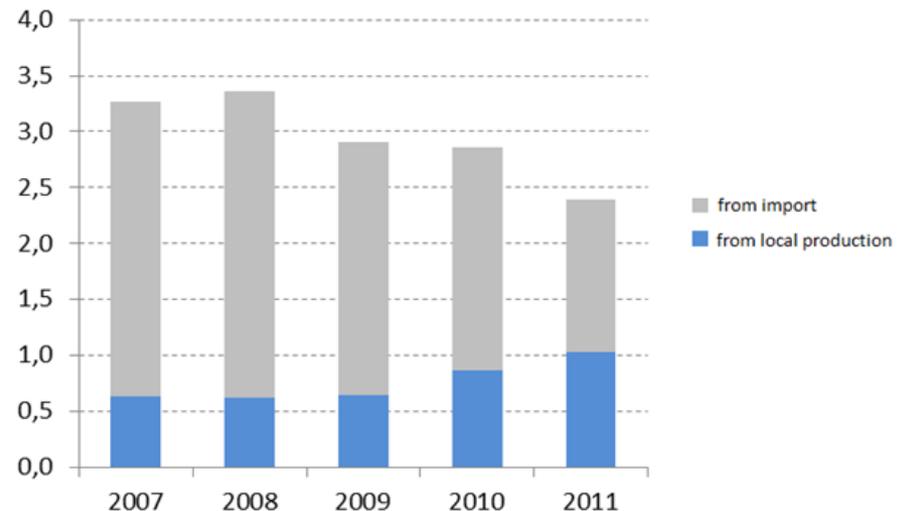
- coverage of the so called justified costs and profit from assets and investments during the performance of regulated activity which provide for a sustainable system development;
- incentives for economic and energy efficiency;
- prevention of cross-subsidising between different activities performed by energy entities;
- non-discrimination, i.e. equal treatment of system users.

Transported crude oil quantities via pipelines



What has happened with crude oil in 2008-2011?

- refinery processing decreased by 26,8%
- local production increased by 61,2%
- import decreased by 48,2%
- local crude oil share in 2008 was 18,6%, while in 2011 it was 43%



Consequences

- 2011/2010: refinery processing dropped by 16,5%, local oil production was increased by 19,2% and import was decreased by 31,9%
- Applied method of transport regulation is still Cost+
- **After effect:**
 - drastic growth of transportation tariffs**
(around 70% in 2 years)

Solution by AERS

- introduction of threshold of minimum utilisation rate of installed capacity for each branches
- example: for those branches with annual installed capacity higher than 7 mill tons, this formula for minimum Utilisation Rate (UR) of 20%:

$$\mathbf{AMAR\ t = MAR\ t * (3.00 * URmin\ t + 0.40)}$$

Thank you for your attention!

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