

The fourth package of European Union sanctions, one part of which refers to the ban on transactions with companies outside the EU that are majority owned by 12 Russian companies, including Gazpromneft, as it was supposed, threatens to hit Serbia the hardest.

The warning that the delivery of crude oil to Serbia will be effectively suspended because Gazpromneft owns 56% of NIS proved to be justified. The Croatian company JANAF (Jadranski naftovod), which operates the terminal for receiving tankers in Omišalj from where the oil pipeline to the refinery in Pancevo starts, announced that the decision of the European Council of March 15 includes a contract on crude oil transport concluded by JANAF with NIS a.d. for the period from January 1 to December 31, 2022.

The mentioned contract reserved JANAF's transport capacities on the principle of "a lot for nothing" in the total amount of 3.2 million tons plus minus 10 percent of oil, and if it does not change, it will not be able to be realized from May 15, 2022 "As long as the above-mentioned restrictive measures are in force," JANAF said in a statement.

The Ministry of Mining and Energy announced yesterday that ensuring a stable supply of petroleum products is a priority for the Ministry, which is analyzing all variants and solutions to ensure secure supply to the domestic market in case of interruption of crude oil supplies to the Adriatic Oil Pipeline (JANAF).

"Currently, possible routes for the supply of crude oil and petroleum products from terminals and refineries in the area are being analyzed, as well as available legal, business, logistical and technical possibilities for importing crude oil and derivatives, including via pipelines, railways, tanks and river transport. The effects of changes in the way of supply on the operation of domestic refinery capacities, possibilities of using domestic oil and increasing reserves of oil and derivatives in warehouses are also considered, in order to respond as adequately as possible to interruptions in JANAF oil pipeline supply. In addition, all possibilities to extend the supply of JANAF will be considered, along with taking measures to create reserves for bridging possible disturbances," the Ministry stated. Therefore, solutions are being sought to deliver oil to the refinery in Pancevo in an alternative way, although we are surrounded by EU members, or to make sure that sanctions do not apply to us.

About ten days ago, our officials stated that they were negotiating with the EU representatives on the exemption from this package of sanctions, but so far it has obviously not come far in that field.

Mihailo Gajić, an economist from Lübeck, points out that it is absurd that the oil that comes through the oil pipeline to NIS is mostly not Russian but from Iraq.

"Without oil, the refinery cannot function, and there is the issue of Petrohemija as well." If the refinery does not work, it would reduce Serbia's GDP by about two points. And there is the issue of state subsidies that would be necessary, the functioning of Petrohemija. And the

biggest problem awaits us in the summer when we will negotiate on gas “, warns Gajić. If we did not find a solution for oil supply in these months and a half, the consequences for the citizens and the economy would not be negligible.

“If a solution is not found, it would probably become more expensive, and the problem is finding so much fuel in the region.” The first question is whether there would be enough fuel. Another question is how much it would cost. And there would probably be smuggling, “he said.

Some options for the supply of crude oil could be through Albania and Kosovo in tanks, which, according to Gajic, would be significantly more expensive than transport by gas pipeline.

“I know that our people are asking for an exemption from this decision for the Western Balkans, because this will not only affect us, but also Bosnia and Herzegovina.” There is an understanding for our situation in the part of the EU establishment, but the question is whether it can pass the “hawks” in the Union. That decision was made very quickly and I believe that they only looked at how it would affect them and that it did not occur to them whether sanctions would affect anyone else. “Now it is harder to change the decision and that is why we should have had a man there who will react as soon as the proposal appears,” Gajic points out, adding that it is hypocritical that EU companies can import gas and oil from Russia, but we cannot.

Lawyer Branko Pavlović also says that NIS's port in Pancevo is good and that crude oil could be delivered by barges on the Danube.

He also says that the situation is not as dramatic as it appears.

“The president's statement that we have depleted our oil is not true. Last year, NIS produced slightly less than a million tons. Secondly, we can always import derivatives as countries that do not have a refinery or as MOL now imports from Hungary. True, that means that fuel will be more expensive, “Pavlović estimates.

Since the EU decision was made, another solution has been on the table - reducing Gazpromneft's ownership in NIS to below 50 percent, which would not cover our oil company with sanctions.

“It is an easily feasible solution, only if we are firmly in the position of not imposing sanctions on Russia.” “If Gazprom perceives us as friends, everything can be agreed,” Pavlovic said.

Different modes of change of ownership were circulating in the public. Some believe that a simple purchase of just over six percent of Russian shares by the state is not an option, as it would violate sanctions that prohibit all transactions with Russian-majority companies from non-EU countries.

Gajic, on the other hand, thinks that this does not apply to us as a country outside the EU, and that we may eventually get a harsh statement from one of the officials.

The option of nationalizing NIS was also considered, so that restitution could be done after the war and sanctions.

In the end, a completely feasible way could be recapitalization, so that NIS would issue shares that would be bought by the state, which would reduce Gazpromneft's share below 50 percent.

By the way, Gazpromneft owns 56.15 percent of NIS, the Republic of Serbia 29.87 percent and other small shareholders.

NIS received almost all imported quantities of crude oil through JANAF. Last year, NIS exhausted 817,000 tons of domestic oil, and processed a total of 3.95 million tons of crude oil.

The market of motor fuels in Serbia last year amounted to 2.6 million tons, of which three quarters were supplied by NIS. In retail, NIS held 44 percent of the market, and sold the rest to wholesale pumps.

Reserves for two months

By providing the obligatory reserves of energy according to EU regulations, we are going to provide energy in the amount of 61 days of average daily consumption until the end of 2022, the Ministry of Mining and Energy answered Danas' question about the amount of reserves of oil and oil derivatives in Serbia. "In the last year alone, the level of required reserves within the MRE has increased by 30 percent, which greatly contributes to the security of supply of the Serbian market in crisis situations," the ministry said in a response, adding that there are reserves of oil and oil derivatives for about two months of normal supply to the market ", Danas writes.