Energy activities regulation in downstream Oil Sector of the Republic of Serbia

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AERS – background info

<table>
<thead>
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<th>Independent regulatory body</th>
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<td>Registered at the Trade Court in Belgrade in June 2005</td>
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<td>Fully operational as of January 2006</td>
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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.
Licenced Activities in Serbian Oil Sector

- **Midstream**
  - oil transport by oil pipelines

- **Downstream**
  - oil derivatives production (refining)
  - oil product transport by product pipelines
  - trade in oil, petroleum products, biofuels and CNG (wholesale)
  - trade in motor fuels and other fuels on petrol stations (retail)
  - trade in fuels outside petrol stations (retail) – new
  - storing oil, petroleum products and biofuels
  - filling of containers for LPG, CNG and LNG – new
  - trade in vessel fuels (wholesale) – new
  - biofuels and bioliquid production
  - blending of biofuels with fuels of oil origin – new
2014: wholesale in oil, oil products, CNG and biofuels
2015: motor fuel retail market

- 457 retailers (370 in 2011) 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 2008-2011/2012?

- Refinery processing decreased by 26.8%
- Local production increased by 61.2%
- Import decreased by 48.2%
Consequences

- **Cause 1**: 2011/2010 - local oil production was increased by 19.2% and import was decreased by 31.9% - total transported quantities drops more than 25%

- **Cause 2**: 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 utilization rate of installed capacity for each branches
- example: for those branches with annual installed capacity is higher than 7 mill tons, this formula for minimum Utilisation Rate (UR) of 20%:

\[ AMAR_t = MAR_t \times (3.00 \times UR_{\text{min}} t + 0.40) \]
Thank you for your attention!

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