

# OIL AND GAS SECTOR

1.67

## WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
DIGITALIZATION - prescribe the possibility of digitalization of fiscal receipts and their electronic delivery to customers buying goods and services, which would abolish the obligation of physical printing and delivery, and subsequent storage of fiscal receipts for control.	2020		√	
Timely conclude agreements between the Directorate for Administration of Seized Assets and energy entities on storage of confiscated petroleum products, by establishing and implementing an adequate procedure in the short term.	2019			√
Enact by-laws necessary for the creation of operational reserves, in accordance with the Energy Law.	2019	√		
It is necessary to introduce control of petroleum products imported into the country for re-export through coordinated activities of relevant authorities, in view of abuses to which such goods declared for this purpose are subject.	2019			√
Resolve the discrepancies in the Law on Legalization of Facilities and the Energy Law related to the documentation needed for the acquisition of energy licenses for legalized energy facilities.	2019		√	
Enact the Law on Explosive Substances, supported by related by-laws, all of which would define activities in the area of the manufacturing and trade of explosives and other hazardous substances	2014			√

## CURRENT SITUATION

Brent crude saw a continuing fall in the first half of 2020, driven by a declining consumption of petroleum products due to the outbreak of the COVID-19 epidemic and the introduction of emergency movement restrictions, hitting a low of 13.24 USD/bbl in April. This was followed by the price's steady growth throughout the year, reaching 51.22 USD/bbl at the end of the year. The average price in 2020 was 41.96 USD/bbl, which is 22.24 USD/bbl less than the average price in the previous year. In 2021, the upward trend in crude oil prices continued as the negative effects of the COVID-19 epidemic began to soften and global economies started to pick up.

According to data published by the Energy Agency of the Republic of Serbia, the total consumption of crude oil and intermediates from domestic production, imports and stocks in 2020 stood at 3,299 million tons, which is a 0.3% increase on 2019. In 2020, about 0.861 million tons of crude oil was produced (26.10% of total consumption), while imports accounted for 2,438 million tons (73.90%).

The total consumption of motor fuels in 2020 was about 2.32 million tons, which is 7.2% less than a year before due to restrictions caused by outbreak of the COVID-19 epi-

dem. In the structure of motor fuel consumption, gasoline accounted for 17%, diesels 75.9%, and LPG - 6.1%. Total gasoline consumption was decreased by 7.8%, compared to 2019, consumption of Euro diesel was down 6.2%, while autogas consumption decreased by as much as 18.8%.

The annual production of natural gas, delivered to the country's transport distribution system in 2020, totaled 265 million m<sup>3</sup>, which is 9.5% less than the production in the previous year. In 2020, a total of 2,708 million m<sup>3</sup> was available from import, domestic production and underground storage, and 2,483 million m<sup>3</sup> of natural gas was consumed, 6.8% more than in 2019. Most of the natural gas was imported from the Russian Federation in the amount of 1,384 million m<sup>3</sup>, while domestic production of 265 million m<sup>3</sup> could meet only 10.7% of the demand.

The Ministry of Trade, Tourism and Telecommunications reports that in 2020, the Market Inspection performed 1,870 inspections at energy entities and 9,029 samples were taken (of which 5,462 for marking and 3,567 samples for monitoring the quality of petroleum products). A total of 184 samples with reduced marker concentration and 49 samples deviating in quality parameters were identified. Trade of 36,193 liters of Euro diesel with a total value of

5,289,164.00 dinars was prohibited.

During the first five months of 2021, the Market Inspection performed 663 inspections at energy entities and took 1,827 samples for marking and 986 samples for monitoring of the quality of petroleum products. There were 77 samples with reduced marker concentration, while five samples deviated in quality parameters. Trade of 3,366 liters of gasoline in the value of 521,730 dinars was prohibited.

### POSITIVE DEVELOPMENTS

In April 2021, the National Assembly of the Republic of Serbia adopted four laws in the field of mining and energy, passing two new laws - the Law on the Use of Renewable Energy Sources (RES) and the Law on Energy Efficiency and Rational Use of Energy, and amending another two laws - the Law on Energy and the Law on Mining and Geological Exploration.

The main objectives of the new laws are to enable new investments in RES and increase the share of RES in total energy supply (Law on the Use of Renewable Energy Sources); to achieve energy savings, while reducing the impact of the energy sector on the environment and climate changes and promoting the sustainable use of natural and other resources (Law on Energy Efficiency and Rational Use of Energy); to harmonize domestic legislation with the EU acquis, ensure delivery and security of energy supply and enable new entries to the energy market (Law on Energy); to foster efficiency and sustainability in the management of mineral and other geological resources in Serbia and boost investments in geological exploration and mining (Law on Mining and Geological Exploration).

It is especially important to point out that the Ministry of Mining and Energy had prepared these regulations with an active participation of the professional public, industry representatives and other stakeholders. The Ministry of Mining and Energy is also preparing other accompanying bylaws to ensure a full implementation of the adopted mining and energy laws.

As a member of energy community, the Republic of Serbia has undertaken the obligation to harmonize legislation with EU directives, and accordingly the Government of the

Republic of Serbia adopted in May 2021 an Action Plan for the formation and maintenance of mandatory reserves of oil and petroleum products.

The adoption of the amendments to the Law on Energy provided clear definitions related to the process of forming operational oil and gas reserves, which is important from the aspect of energy security.

In November 2020, the Oil Refinery Pancevo introduced a Bottom-of-the-Barrel plant with delayed coking technology. The start-up of the delayed coker unit, in addition to increasing the depth of processing, brings numerous environmental benefits, primarily stopping production of fuel oil with a high sulfur content and reducing emissions of gases and particulate matter into the air.

### REMAINING ISSUES

Intensive controls are continuously carried out to stop illegal trading in petroleum products in the country, highlighting the necessity of maintaining them in order to counter the gray economy. Accordingly, additional supervision is needed regarding marine fuel supply to vessels in the domestic traffic.

The high level of excise duties on liquefied petroleum gas (LPG), which is among the highest in the region, discourages the use of this environmentally friendly petroleum product, resulting in a drop in annual consumption.

Conversely, the lack of excise duties and a lower tax rate of 10% for trading in compressed petroleum gas (CNG) makes it more competitive compared to other motor fuels.

In the international passenger and road freight transport, fuel is not purchased in Serbia, while on the other hand there is an increasing number of domestic carriers that buy fuel outside of Serbia due to a more favorable tax policy in the countries of the region.

Systematic control of imported petroleum products for re-export has not been established yet.

New regulations on the production and trade of explosives and other dangerous substances have not been adopted yet.

## FIC RECOMMENDATIONS

- Introducing the marking of marine fuel sold to vessels in the domestic water transport.
- Reintroducing excise refund for marine fuel used in the domestic water transport.
- Applying a general VAT rate of 20% on CNG consumption, as well as an adequate level of excise taxation, in order to eliminate the effects of CNG's preferential status in relation to other motor fuels.
- Reducing the level of excise taxation for LPG in order to increase the consumption of this petroleum product.
- Concluding bilateral agreements on carriers' eligibility for VAT refund on fuel purchased in Serbia with Bulgaria, Turkey, Greece, North Macedonia and Montenegro, as well as with other countries from which trucks use Serbia as a transit country.