

## **Bosnia exclusive: Oil exploration starts in 2015 confirms Energy Minister Trhulj Federal gov Bosnia**

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Exploration of oil deposits in the Federation of Bosnia and Herzegovina should begin in early 2015<sup>th</sup>, after the signing of the concession agreement expected at the end of the year, confirmed Erdal Trhulj, Minister of Energy, Mining and Industry of the Government of Bosnia and Herzegovina Entity Federation.

Oil exploration will be done in the area of the Dinarides, which includes the site of Bihac, over Dreznice to Stolac, where according to the estimates there are more sites than one billion barrels of oil.

"It encourages that Shell as multinational company is still interested to perform oil exploration in the Federation regardless of the political crisis that we have in BiH, frequent government reconstruction, the February protests that also have negatively impacted the other events that have created a negative image. Shell decided to stay and it is very positive for the Federation ", said Trhulj.

Federal Minister of Energy, Mining and Industry said that the exploration would be performed at the location of the Dinarides at a depth of eight kilometers, and such one cost 75 million dollars. At least five of these wells should be done in order to verify an oil need, which means that it is necessarily to invest at least 300 to 400 million dollars in initial funding for such an endeavor, which the Federation does not have and either could not provide it by itself.

Balanced development of the whole FBiH

Oil exploration, emphasizes Trhulj, is a long-term project in the Federation and in the second round will be announced the award of concessions for activities in Tuzla and Posavina Canton where it is estimated that there is between 200 and 300 million barrels of oil in the pipeline are the same activities in the area of Sarajevo-Zenica basin.

Activities in the project preparation for oil exploration in the Federation began in 2011<sup>th</sup> on the basis of documents examination from the period of former Yugoslavia, in which states that there are adequate oil deposits at the territory of Bosnia and Herzegovina and the Bosnian entities FBiH

"We tried to negotiate with two or three companies, and after six months we have succeeded to sign a memorandum with Shell in November 2011<sup>th</sup>. This was the first big success because we managed these activities without realizing then formed a new Council of Ministers. The reason for slightly longer work at the preparatory documentation is that all documents should have to be switched to digital form. A few million should have been provided during that, and we are not able to provide these funds from the budget of the Federation in these

circumstances. Shell did it at his own expense, and after completion of the study in September 2013<sup>th</sup> it was signed an annex in which the company expressed its willingness for concessions in the area of the Dinarides ", said Trhulj.

Minister of Energy, Mining and Industry points out that a prerequisite for further action was enactment of the Law on Expropriation and oil exploration in the Federation, by which was established uniform legislation in this area of the whole BiH Federation.

"It is assumed to be between 200 to 300 million barrels of oil in the area of Tuzla and Posavina Canton of the shallow surface. Analyzing documents Shell believed to be worth learning in research on the Dinarides. Given that oil is a strategic energy source it is not realistic to select partners in the public tender. I also publicly said in the BiH Federation Parliament during making the law that it was absurd to FBiH their future determined by public tender. Instead strategic partner should be selected through direct award of contracts approved by FBiH Government and Parliament", said Minister Trhulj.

The legislation also specifies the method of the resources allocation if oil would be found in BiH Federation. So the municipality in whose territory the sites would be discovered will get funds, as well as cantons and the Federation of Bosnia and Herzegovina. For the purpose of the balanced development of the whole Federation of Bosnia and Herzegovina it has been stipulated that 17 percent of the funds belong to the remaining nine cantons in that BiH entity where there is no deposits, and 20 percent of the funding for all municipalities in the Federation.

It has also been passed the legislation which regulates the issue of the consulting services provision for the negotiations on the concession award. It has been formed the tender commission, but the consultant was not chosen because only two of at least three bidders submitted at the call. As stated the Minister of Energy, Mining and Industry of the Government of BiH Federation the bidders in the tender must fulfill all of the Law on Public Procurement which was very difficult, especially in the area that they had to obtain a document of impunity in BiH, which is complicated for companies from abroad.

"There has been done a regulations adjustment and the collection of new bids is underway. Bids are collected for 40 days, and the work should be completed by the end of August. Value of these works is about 400 thousand EUR. After the procedure is completed it will be established an independent body composed of three representatives and delegates of Representatives and House of peoples of the Federation, and a member of the FBiH Government to oversee the negotiations. Given that I am competent minister for conflict of interest the representative on behalf of the Government will be someone else. When a final agreement on the allocation of concessions is reached, FBiH Government and Parliament will verify it", said the departmental minister.

The BiH Federation government, said Trhulj, will bring the Ordinance on the manner of awarding concessions at the session on August 21<sup>st</sup>, by which will also be defined the manner of calculating fees.

Apart from the concession fee, the Minister Trhulj states that also the tax policy will have to

be changed. Income tax in FBiH is 10 percent, and in some countries the tax on oil and petroleum products are up to 50 percent.

"Our goal is to edit this strategic area in the best way possible, and that it benefits from a whole Federation and to the right way. In this regard, the amendment to tax policy is necessary, because a lot more can be accomplished, not only of concession fees, but also through taxes ", said Trhulj.

Reserves of 3 billion tons of coal

After selecting the consultant, which is expected to be in September, it will take about four months to get to the concession agreement.

The new FBiH Government and Parliament could sign it, which will be formed after the October general elections in BiH, after which the researches will officially begin.

The Government of the Federation, according to the Minister of Energy, Mining and Industry, is not looking for a partner for coal mining. He claims that this fuel meets the needs of the state, and that 99 percent of mined coal is used in thermal power plants to generate electricity, and 1 percent for local and export market.

"We have everything we need when it comes to coal. The cantons in the Federation awarded the coal concessions so that there is a possibility that some of the cantons give some new, smaller sites to someone under concession in function of the development and employment of 100 to 200 people. However, on the federal level there is no need because the foreseen dynamics meets the needs", said Trhulj.

He stressed that the coal reserves of the BiH Federation amounted to 3 billion tons, and that the same are new potentials estimates.