

## Croatia: EC refers Croatia to court over INA privatization law

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**Date :** July 24, 2017

The European Commission (EC) announced that it has decided to refer Croatia to the European Court of Justice for failing to align the 2002 law on the privatization of national oil company INA with the EU rules on the free movement of capital and the freedom of establishment.

The statement from the EC said that the fact that the Croatian state can refuse to approve important decisions that would be in the company's interest may negatively impact company's shares and reduce INA's attractiveness to investors. The current law empowers Croatian state to oppose important company decisions without needing to justify the veto in terms of potential threats to security of supply or other public policy, or in the public interest. According to the EC, these unconditional veto powers go beyond what is necessary to protect security of energy supply and are therefore disproportionate.

In late 2016, the EC has requested from Croatia to change the law on the privatization of INA from 2002 and align it with the EU legislation. The statement from the EC said that as a consequence of these violations, stakeholders are not able to influence important company decisions in proportion to the value of their shareholdings, which may discourage potential investors in INA. Although the objective of protecting the security of energy supply could justify restrictions to the freedom listed in the Treaty of the Functioning of the European Union (TFEU), the unconditional veto powers granted to the state by INA privatization law seems to go beyond what is necessary and proportionate to achieve this objective, the Commission concluded.

This request was sent in a for of a reasoned opinion, which is a second step in the EU infringement proceedings. If Croatia fails to fulfill this request in two-months time, then the EC will pass the case to the European Court of Justice. The current law on INA grants the state special powers in the company, including veto powers over INA's decisions relating to the sale of shares or assets with a value exceeding certain thresholds.

Hungarian oil and gas company MOL owns 49.08 % of INA's shares, while the Croatian state has 44.84 % stake in the company.