

Croatia: EU close to financing Krk LNG Terminal

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Croatian Minister of Environmental Protection and Energy Slaven Dobrovic met in Brussels with the European Commissioner for Energy and Climate Action Miguel Arias Canete where they discussed the project for the construction of LNG terminal on Krk island.

Minister Dobrovic said after the meeting that they have discussed the LNG terminal project and the reform of the Croatian gas market, which are two connected issues. He added that the Commissioner Canete was informed on the steps that Croatia has taken in order to ensure that the project is financed from the European Union funds. Canete stressed that Krk LNG terminal project is really important for the future power network in Europe, and the EU is close in terms of a possible decision to finance this project.

Estimated value of the project for the construction of LNG terminal on Krk island is about 600 million euros, and with gas pipelines and compressor stations the value exceeds one billion euros. The project has been included in the list of the European strategy for energy security, while Croatian Government declared it a strategic investment project which means that all proceedings regarding the project are considered urgent and have highest priority. LNG Hrvatska received non-binding bids for the lease of terminal's capacity in the amount of 5 billion cubic meters for the period between 2020 and 2025 and additional 2 billion cubic meters for the period between 2026 and 2040. The fee for the usage of terminal is not known, but it is speculated that it will be between 30 and 35 dollars per 1,000 cubic meters. If the non-binding bids turn to long-term lease agreements, this would secure an income of some 150 million euros in the first 15 years.

In mid-2015, the United States suggested Croatia to give up the construction of land terminal and consider the construction of much cheaper floating terminal for regasification (FSRU). The construction of land LNG terminal with the capacity of 6 billion cubic meters of gas per year would cost over 600 million euros. However, floating terminal with the annual capacity between 1.5 and 2 billion cubic meters could be operational in year and a half or two, because only minor procedures to the gas transportation system is needed due to its smaller capacity and could be leased for about 50 million euros per year.

In March 2016, European Investment Bank (EIB) announced that it will be providing a 339 million euros worth loan to Croatia for the construction of liquefied natural gas (LNG) terminal on Krk island.