

LNG Hrvatska, a company in charge of the implementation of the project for the construction of liquefied natural gas (LNG) terminal on Krk island, announced that a total of 27 bids have been received on the tenders for the purchase of floating storage regasification unit (FSRU) and the construction of dock and other infrastructure, of which 13 for the FSRU and 14 for the docking facility.

Deadline for these tenders passed on 6 October. Initially, the deadline was set for 29 September, but it was extended for another week. LNG Hrvatska said that it expects that the tenders will result in successful conclusion of contracts by early 2018.

In August, additional exploration works, which include seabed drilling and geological surveys of the terrain where the FSRU will be located, were launched. These works are carried out by Geokon company and should be completed by 25 September this year. An environmental impact assessment is also underway, which should be presented to the Government in January 2018. After that, the application for the location permit and construction permit should be submitted in February.

Last year, under obvious US influence, Croatian Government abandoned the project for the construction of a land-based terminal and opted for a floating one – faster, cheaper and more flexible solution. The prerequisite for the funds, granted by the EU for the project, to be used is that they must be used only for the procurement of the FSRU, so Croatia basically lost the option of leasing the vessel, which is the usual model for developing similar projects. The advantage of leasing the terminal is that, despite higher short-term operating costs, it reduces the investment risks and enables the initial stage of the market development without the risks of so-called sunk costs.

The grant approved by the EU through the Connecting Europe Facility (CEF) fund in February provides 747,000 euros for the development of the feasibility study, which covers half the price, and 101.4 million euros for the construction of LNG terminal, which should cover some 28 % of the total price. The total cost of the project is estimated to about 360 million euros. Instead of the original plan to build land terminal with the capacity of 6 billion cubic meters of gas per year, Croatia opted for an intermediate solution with the floating terminal with the annual capacity between 1.5 and 2 billion cubic meters, which 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.