

Forced and an unexpected “marriage between INA (Croatian Oil Company) and HEP (Croatian Electric Power Industry)” is one of possible solutions as a way of re-nationalization of the oil company, although there is no exact analysis what would that marriage bring.

There are two main problems: the first is the issue of energy strategy, and the other - where to find billions for such an undertaking. According to the indications coming from the Ministry of Environment and Nature Protection, which requested a new “low-carbon energy strategy” to be made, the basic idea of this document is inconsistent with the plan of creating mega company of HEP and INA.

According to general guidelines that have appeared so far in public, the energy strategy will be based on the abandonment of fossil fuels, coal, oil and gas in energy production, and therefore there will be a transition to renewable sources. Consequently, the construction of new thermal power plants will be abandoned too. But it’s not just about the production of electricity: energy strategy envisages the abandonment of oil in transport, starting in public transport, where the goal is to increase the share of electricity to ten percent in next few years.

What INA can offer, on the other hand, are gas and oil. As confirmed in an interview with Slobodna Dalmacija by dr Igor Dekanic, a professor at the Faculty of Mining, Geology and Petroleum Engineering of the University of Zagreb, INA could become again a pillar of the Croatian economy if the reconstruction of refineries in Rijeka and Sisak would be started, and if it could manage to recover lost positions in the former state, where it could sell products from reconstructed refineries.

Besides, a prerequisite would be further researches and new production from domestic sources. This is especially related to gas, whose production in the last decade decreased from three billion cubic meters to just over a billion and a half cubic meters, while the production of domestic oil dropped by 30%. Thus, in the case of acquisition of the Hungarian share in INA, HEP would not only have to finance the payment of share, but would also support the process of restructuring and investment which is worth hundreds of millions of euros in the processes which the government, through the energy strategy, intends to abandon.

At the same time, when it comes to investments, HEP as a company is in a state of hibernation for the past few years. Billions of euros of incentives in renewables have eluded, especially wind power plants, which are left to private investors, the planned investments in coal thermal power plant in Plomin have been suspended, and according to new strategy there is no question of a gas plant. At the same time, having in mind the that due to the system deterioration a full range of thermal units will be left out of the system, in three years’ time Croatia will produce a quarter less electricity than today, and if we take into account the economic growth that follows the increased demand for electricity, the result will be even worse.

On the other hand, renewable energy sources still depend on the incentives and therefore are still very expensive, especially for a poor country like ours. When it all comes together, we come to conclusion that Croatia is on the verge of energy collapse. That is, it implies a long-term bad financial outlook of HEP, which should, at the same time, stand behind the billions needed for the revival of INA. The energy collapse could be remedied if it is already too late to prevent it, if HEP would use its large profit and a favorable credit rating for tough investment cycle - provided that that policy allows it by the national strategy. In the case of "HEP and INA marriage" one should not forget the stronger arrangement of HEP at least for the period necessary for INA to be again on its feet. It's about years, if not decades of processes whose result is uncertain because it depends on the price of oil which is highly unpredictable. It is undisputable that the oil industry with its entire accompanying infrastructure, is necessary for the country, but the question is how sustainable is the calculation which includes HEP, at least in terms when the energy company is limited by the state strategy in what should be its primary purpose and that is the production of electricity. In the end, it could happen that we could be left without HEP and without INA, with total dependence on electricity imports. Import implies expensive electricity.