

Croatia: INA and HEP signed gas supply deal

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Croatian national oil company INA announced that it has signed a contract for the sale and purchase of natural gas for electricity production with state-owned power utility HEP.

According to the contract, INA will deliver 138 million cubic meters of natural gas to HEP between 1 October this year to 1 October 2018.

Earlier this month, INA and HEP have signed an agreement on gas supply for 2017/18 regulatory period. Between 1 April this year and 1 April 2018, INA will deliver 500 million cubic meters of natural gas to HEP. Natural gas in question is intended for further sale to distributors in public supply.

The agreement was made after several days of negotiations, INA was the only company to submit a bid in a gas supply tender published by HEP, but the initial price was too high and it would incur significant losses to the power utility during next regulatory period.

Although Croatian Minister of Finance Zdravko Maric said that new gas prices will not incur any losses to state-owned HEP, which was later confirmed by the official statement from the company, Croatian media claim that HEP failed to achieve a price that would avoid any possibility of incurring losses in gas supply business. Unofficially, the agreed price is 21.25 euros/MWh (all additional costs included) which, according to HEP's previous assessment, would incur losses of some 6.7 million euros in 2017. This estimate is based on the initial price of 22.61 euros/MWh and the memo of HEP's CEO Perica Jukic from 3 March, in which he claims that that price will incur losses of 9.4 million euros in 2017 and 5.4 million euros in 2018.