

MFGK Croatia, a Croatian subsidiary of MVM- State-owned Hungarian Electricity Works recently booked capacity in the future liquefied natural gas (LNG) terminal on Krk island. MFGK Croatia will get LNG to the terminal only from western European market players. MVM said that the capacity booking is of historical significance, as it will mark the first time gas from a dedicated LNG source will be delivered to Hungary. The signed agreements are in line with the MVM Group's strategic goals to diversify gas sources and delivery routes, as the sources of LNG procured will come exclusively from reputable western European companies.

In light of global market trends, LNG has become a competitive optional source in the region, further strengthening the gas market position of Hungary and the MVM Group. However, the company acknowledged that deliveries of Russian gas would remain the backbone of energy security for Hungary and the region.

Last week, MFGK Croatia leased 6.75 billion cubic meters of capacity of the future Krk LNG terminal. The operator of the future terminal - LNG Hrvatska said that in the gas year 2020/2021 MFGK Croatia leased a capacity of 666 million cubic meters and 1.014 billion cubic meters of annual capacity in the following six years. Thus, the average lease rate of terminal's capacity, half a year before its planned commissioning, increased to almost two billion cubic meters, from a total of 2.6 billion cubic meters, after INA and HEP previously leased slightly more than 0.5 billion cubic meters. MET Croatia Energy Trade also leased 0.5 billion cubic meters of capacity for three years. Last February, Croatian Government adopted a decision on the financing of the first phase of the project for the construction of LNG terminal on the island of Krk. For this purpose, the European Commission (EC) has approved 101.4 million euros in grants, while the state will provide additional 100 million euros from the budget. Up to 50 million euros will be provided during this year or by January 2020 at the latest, while the remaining 50 million will be provided by the end of 2020. These funds will be used for the purchase of a Floating Storage and Regasification Unit (FSRU) vessel and the construction of auxiliary facilities and a high-pressure pipeline. The remaining 32.6 million euros will be secured by state-owned power utility HEP and natural gas transmission system operator Plinacro, which should be provided by the end of February. It is expected that the LNG terminal will be put in operation on 1 January 2021. Total capacity of the FSRU will be 2.6 billion cubic meters.