

The draft contract on exploration and production of hydrocarbons in the seabed of Montenegro for four blocks with future concessionaries ENI from Italy and Novatek from Russia envisages two exploration platforms in the first phase of exploration and two potential platforms in the second phase, the closest of which will be at least 10 km away from the shore, it was emphasized at the press conference on the occasion of publicizing the wording of the documents and their submission to the National Assembly of Montenegro. Vladan Dubljević, Acting Director of Hydrocarbons Directorate, said that the period for which the contract was awarded included an exploration phase which had two exploration periods of 4+3 years, as well as a production phase which had been contracted for 20 years. "The benefits of this project are multiple and can be divided into fiscal benefits which define that the total revenue that the state will collect from future oil and gas production ranges from 62 to 68% of the net profit of companies within the sector", it is said in the Ministry of Economy. In addition, there are also direct revenues such as the compensation for area of 300 euros per square kilometer which is budget revenue, then the compensation for produced oil and gas which means 5-12% depending on the volume of production for oil and 2% for gas, which is also state budget revenue, then the tax of 54% on the net profit of companies of which 85% goes to the oil fund and 15% to the budget, as well as the tax of 9% on dividends which is also budget revenue. Other benefits include the Fund for Training and Capacity Building in the state administration sectors linked to hydrocarbons exploration and production, such as environmental protection, safety at sea, university and public health, which envisages 400.000 euros per year during the exploration phase and 600.000 euros per year during production. Within the field of environmental protection, the regulations and the contract define, among other, mandatory compliance with the law and the findings of the Strategic Environmental Assessment, then the ban on dumping any kind of waste on the seabed and into the sea, including the policy of zero discharge of debris produced during drilling, the ban on performing explorations during the sea mammals migration and breeding period. The performance of environmental impact assessment is also mandatory before every activity, including a detailed seabed survey to determine the sensitivity of biodiversity, limited implementation of activities within protected areas, archeological sites, fishing zones, minefields, maritime routes, Natura 2000 zones, as well as the mandatory application of the EU Directive on Safety of Offshore Oil and Gas Operations as if this Directive were completely transposed into the legal system of Montenegro, CdM reports. The Concession Contract for Production is signed with future concessionaries, which regulates the relations between the state and the concessionaries. The concessionaries mutually sign two more agreements, and these are the Joint Operating Agreement and the Accounting Records Agreement, which become integral parts of the Concession Contract for Production. The value of the guarantee for the first exploration period for both companies amounts to 85 million euros. The guarantee of the parent company of future concessionaries

is also defined, covering the payment of all obligations in case of a failure to fulfil the contractual obligations and all non-contractual obligations towards third parties in case of direct damage or losses incurred with respect to activities under the Contract, including pollution or incidents. In addition, a mandatory comprehensive insurance policy for oil and gas industry is also envisaged as a security, as well as the Plant Decommissioning Fund as a security if the concessionaries fail to fulfil their obligations to remove the plants. The payments into this fund are made annually as from the beginning of production phase, transmits [Serbia-energy.eu](http://Serbia-energy.eu)