

Serbia: Gas Transit through Serbia More Expensive

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If gas company „Srbijagas” wants to achieve positive business results, it must have a realistic price of gas towards distributors and the countries to which the gas goes.

The economic price of gas, which the consumers [would] pay as of 1st January 2015, [did] not mean a price increase and the rise in the purchase price of the Russian gas, but only an increase in the price of transit charged to other countries by “Srbijagas” for the delivered gas, through the grid tariff, but with a hundred percent collection, Dušan Bajatović, the general manager of this public enterprise explained.

- The long-term contract which “Srbijagas” has with Russia will not be modified and the purchase price remains the same therein. But if this company finally wants to achieve positive business results and to forget about state subsidies for the payment of gas, it must have a realistic price of gas towards the distributors, but also towards the surroundings to which the gas is transported, Bajatović clarifies.

The approval for every such increase of internal prices is obtained from the Energy Agency. It was them who have recently made the decision on the increase of gas price by 4.7 percent as of 1st October and this due to the rise in the exchange rate, so that the new average gas price will be 43.4 RSD per cubic meter for all buyers, and 47.4 RSD per cubic meter for households (VAT not included).

In Serbia, 10 percent of households, i.e. 247.000 households, have a gas connection, and with this new price the average annual gas bill will be increased by 2.100 RSD (VAT included). This, as it has been said in the Energy Agency, has been the third modification (increase or decrease) of gas prices since 1st September 2013. Altogether, in the past year, with this new modification, the average gas prices for all buyers have been increased by 1.2 percent.

The economic price is the only way, Bajatović says, for “Srbijagas” to also cover the additional costs of gas storage in Hungary for the upcoming winter, as well as to reconstruct its distribution network.

- No one asks anymore with what money “Srbijagas” is going to pay the gas for the companies undergoing restructuring, to whom we had to continue delivering gas according to court decision, although it was known that they would never have the money to pay for it. For now, we can only count on the possible payment of gas by the „Nitrogen Plant”, but the issues of the “Petrochemical Plant”, “Fiat”, “Ironworks” remain open. Who will pay these debts, if we know that “Srbijagas” is insolvent and that it cannot obtain from banks the guarantees for a loan, he asks.

With the new economic price, it will also be easier for the state, he says, because it will not

have to subsidize “Srbijagas” anymore, the losses of which amount to around 500 million euros at this moment, only due to the difference in gas price. Furthermore, the state has to help this public enterprise again with the guarantees of 240 million euros for the repayment of old debts, and in addition to all this, “Srbijagas” also has to provide additional 60 million euros. So, 300 million euros in order to cover the losses.

Asked to comment on the announcements of the Deputy Prime Minister, Zorana Mihajlović, that we do not have enough gas and electricity, that we are not ready for winter, Bajatović says that Banatski dvor is chock-full – 450 million cubic meters of gas have been injected, so there is no discussion about gas shortages. The possibility of buying mazut from NIS is still under consideration, and when it comes to coal, there is a possibility of Serbia buying coal within the region at the prices which are lower than the price of domestic coal.

If all these issues were solved, as planned, “Srbijagas” could also count on the projected profit which used to be split half-and-half. One portion of the money went into the budget, and the other to “Srbijagas”. Now, everything would go into state coffers and the money would be used for debt servicing, Bajatović concludes.

Price of Grid Tariff Same for Three Years

In the Energy Agency, they agree with the claim of the general manager of “Srbijagas” that the costs of grid tariffs and transport are unrealistic and they say that the price of access to the distribution system (the so-called grid tariffs) has not changed for three years, since 2011. To a lesser extent, this price has been adjusted in one number of distributors, who have experienced major changes – a decrease or increase in the quantities of distributed gas, but not in all distributors.

Otherwise, the regulated gas price is modified when there is a change in the purchase prices and the relation between the imported and domestic gas, and it is also adjusted to the changes in the fifteen-day average exchange rate of dollar.

In their opinion, what can cause an increase in prices is a steady rise in the dollar exchange rate. On the other hand, it is good that the price of oil is on the decline.

Restructuring of Srbijagas Begins

Dušan Bajatović, the director of “Srbijagas”, has announced the beginning of restructuring of this public enterprise and this according to the EU regulations. The enterprise will be divided into distribution, trade, supply, transport.

To embark on this, we also need the economic price of gas as of 1st January because each of these companies has to achieve positive business results. Otherwise, what is the purpose of the entire restructuring business, he says.

Banatski dvor readily awaits the heating season.