

New Europe: NIS is Serbia's energy company. What is the philosophy in an energy company in the Balkans, in a country that is not yet a EU member but is aspiring to become one?

Kravcenko: We are currently concentrating on our business in the region, not just Serbia, but principally on the whole Balkan region. Historically we developed as an oil and gas company. But now we decided that we will convert into the energy business. That's why we are now developing additionally into the gas segment, electricity generation.

So the main goal for us is to be a balanced energy company in the Balkans that provides full range of services and products to final consumers: from oil to fuel station, from gas to charge register. We would like to be number one by several indicators; the first is the speed of growth, the second is efficiency, the third is comprised of several financial and operational indicators like revenue and efficiency in our six different business sectors. We now have four main segments and two additional ones. Exploration and production of gas, refining (we will significantly expand our set of products because we will start to produce naphthenic lubricants which are very rare in Europe). The third one is sales, distribution and marketing and the fourth one is electricity generation. The two additional segments that we still need to support - for different reasons - are chemicals and oil field services.

NE: Do you believe that there are any opportunities or challenges for you within this context, within the context of Serbia's future accession process to the European Union?

K: I would say that we were one of the first Serbian companies that have started operations in the European Union. Three years ago we opened our representative office in Brussels. After that, we immediately started to develop our upstream projects in the bordering countries such as Romania, Hungary and Bosnia. We also started to develop our retail business in Bulgaria, Romania, Bosnia and Herzegovina, so it means that we are already present in the European Union and we would like to develop as much as possible. For us it's certainly very important to explore the regional synergies. That's why we try to balance our different segments, we need to increase the oil and gas reserves and increase the energy independence of the region through the exploration in the Pannonian basin which includes all bordering countries, such as Romania or Hungary.

And then, we need to adapt our refining strategy to marketing relations. It means that we are increasingly seeing pressure from outside markets worldwide. That's why we need to improve our market through operational efficiency. So first we will reconstruct our refineries to bring them up to the top twenty five in Europe. This way I expect that in three years we will be in the first percentile by efficiency among all European refineries.

Next, we must develop a retail element and logistics. That's why for us the integration processes of the different countries of the region is very important. From this point of view, for us it is important that Serbia joins the EU. It is not a big challenge for us because our market is really open and we already work under EU conditions and EU legislation. But it offers us more possibilities, that's why we fully support this process through our

participation in accession negotiations between Serbia and EU, by giving different kinds of policy recommendations, .

NE: What would a company like NIS like to see regarding European energy policies. What would you propose?

K: One of important facts about NIS is that we are a public company. So besides a major shareholder, the Gazpromneft, we have more than 2.5 million minor shareholders. The biggest one is the Serbian government with 29,9% shares and at the same time we have several investment funds from the EU and the US in our capital. That's why all our procedures, all our strategies and all our operations must be adapted to the most modern corporate standards. The best example for us comes from the EU: how to manage the company, how to adapt the behaviour to the local conditions. For us it is very important that these standards are adopted by Serbia as to be most effective from the point of view of competitiveness of the country and the competitiveness of the region. That's why we fully support the Serbian state to do so. We give the government and our partners our expertise because we've selected a very good professional international team from more than twenty countries and we have people who are fully concentrated on the EU accession, they have a special expertise.

NE: Is NIS involved, or does it wish to be involved in the plans that are afoot at this moment in the Balkans regarding pipelines, for example South Stream?

K: I can't answer the question from the point of view of a government. I can just answer for the point of NIS. Certainly, the role of NIS in Serbian economy is significant because around 15% of the Serbian budget comes from NIS, that's why for us it's very important to have infrastructure projects developed as well. We are the biggest investor in the region with 2 billion euro already invested and 500 million euro per year is in our plans. However, we do not participate in any pipelines projects because it's not our main business but we fully support diversification in our region. That's why we fully support such new projects that already exist, as well as the new pipeline, the South Stream.

NE: You know very well that the European Union at this moment is seeking diversification of energy sources, and it's paying a lot of attention to networks.

K: One of the main ideas of our strategy is to balance the different sources of final products, so it means that currently we implement a significant amount of different new technologies in all our segments and also in developing unconventional resources. We have several projects in the initial phase that are linked to heavy oil and shale oil, . We also have several green energy projects. The first is the first wind park in Serbia which cost more than 200mil euros, the second is geothermal energy because historically we have already drilled wells.

NE: The EU is currently debating energy and climate targets for 2030, especially regarding CO2 emissions. You already said that you are paying strong attention to renewable energy sources. What is your approach to the European Union policies for CO2.

K: I would say that we will strictly follow all the regulations that exist in the EU because we are working in the EU and Serbia is a European country. That's why we calculated all different economic options. And we decided that first we will generate some electricity from Wind and Geothermal sources and it will cover not less than forty per cent of the CO₂ we currently generate. Second we will significantly increase energy efficiency. Through some indicators we have identified the target for 2020-2030 to increase our energy efficiency by at least 50%. And third, we always consider additional options. That's why almost every year we adjust our strategy to the current situation in the EU market but in any way we will strictly follow the whole procedure as well as the strategic targets that the EU has for 2020 and 2030.

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