Dear Colleagues

Your Excellency Ministar Gvozdenović

Your Excellency Commissioner Piebelgas,

Dear Ladies and Gentlemen,

Distinguished participants of the Ministerial Council of the Energy Community

I am honoured and pleased to say a few words in the name of Republic of Croatia.

Energy sector is indeed extremely important pillar for sustainable development of economy.

The question of energy has gone beyond the national question. Today, cooperation between countries represents a vital precondition of ensuring a satisfactory level of energy security and to increase security of energy supply we need stable interconnection between countries.

Republic of Croatia provides considerable support to regional and international cooperation in energy sector as the factor which strengthens security of supply and therefore every dialogue which will establish a fair and transparent energy market in Europe is welcome.

Croatia in particularly expects that the Energy Community will enhance security of energy supply, improve the environment status and develop competition on a broader geographic scale.

Croatia wants also by developing regional energy projects to increase the security of energy supply for region and even EU.

In gas sector in the “Plan of Development of the Gas Transport System in the Republic of Croatia until 2011”, by the end of 2006 additional 523 km of pipelines were realised. The second five-year period, from 2007 to 2011, will add 660 km of transport pipelines and 260 km of regional pipelines with a total investment of 444 million EUR.

New main gas transport systems enable gasification of Croatian areas not covered by the gas network so far and will ensure better reliability and diversification of the natural gas supply and open the possibility to connect with the gas transmission systems in neighbouring countries, Hungary, Serbia, Montenegro, Albania and to the trans-European network.

According to plans the new gas pipeline to South Adriatic will be constructed and in the same time Swiss Company EGL intends to implement the project of Trans Adriatic Pipeline connecting the Greek gas transmission system at SOLUN, by the on-shore gas pipeline via Greece and Albania with FIER at Albanian coast and further on by the Adriatic undersea gas pipeline with BRINDISI and Italian gas pipeline system, thus realizing the preconditions for the supply of significant joint gas volumes from the central-eastern Caspian and Russian sources for the needs of European market.

In consideration of that it is possible to connect the Croatian gas transmission system at the point PLOČE, via Croatian, Montenegrin, and Albanian Territories with the Trans-Adriatic gas pipeline in Albanian FIER, and Croatia is proposing development of new project to establish the new Ionian-Adriatic supply direction by the construction of Ionian – Adriatic gas pipeline.

Such project can be of extraordinary regional importance since it:
introduces ecologically acceptable energy source in the region;
facilitates the gasification of Albania, Montenegro, Bosnia and Herzegovina and southern Croatia
creates the preconditions for closing the Adriatic gas ring and for connection with the Italian gas system, and also with the systems of Slovenia and Hungary

The needs of Croatia, as well as of the countries of Central Europe and Mediterranean countries, for new gas quantities and new routes of supply justify the idea of constructing an LNG reception terminal in the Croatian part of the Adriatic Sea, whose geographical position enables gas supply for the market of Central Europe, with minimum investments for evacuation routes. The intention is to build the receiving LNG terminal in Northern Adriatic with capacity of 10 to 15 billion cubic meters per year of natural gas.

In order to improve the security of supply it is also imperative to invest in the construction of regional underground gas storage in the Beničanci oil field, which volume exceeds Croatian gas market needs and which capacity would amount to 2 billion m$^3$ of gas.

Long-term development of power transmission system envisages the construction of additional interconnections between the Croatian transmission network and the neighbouring transmission networks, Contract for construction of a double circuit 400 kV Ernestinovo-Pecs transmission line will be signed in July.

The new Pan European Oil Project (PEOP) will provide a strategically important connection between the existing European oil systems and the rapidly developing export networks from the Black Sea and Caspian Region whilst avoiding transhipment through the Bosporus.

The PEOP pipeline is the most direct route to Europe with the lowest cost exit from the Caspian area and recently signed ministerial declaration in Zagreb clearly express support of five host countries (Croatia, Italy, Romania, Slovenia and Serbia) and European Commission to that project.

Regarding implementation of the acquis communautaire on Environment we can say: it is important ot stress that Croatia recently ratified the Kyoto Protocol.

For RENEWABLES we can say that in the energy legislative framework and strategic documents concerning development of the energy sector in the Republic of Croatia efficient energy use, cogeneration and use of renewable energy sources are designated as a special interest of the Republic of Croatia.

The Tariff system for the production of electricity from renewable energy sources and cogeneration and Regulation on fees for promoting electricity production from renewable energy sources and cogeneration define the mechanisms for collecting funds and incentives for producers of electricity from renewable energy sources – feed in system, based on a price-related approach.

The Regulation on the minimum share of electricity produced from renewable energy sources and cogeneration whose production is incentivized defines the target of national policy in the field of renewable sources envisaged by electricity production from renewable sources at the level of 5.8% of total consumption.

Directive on the promotion of electricity produced from renewable energy sources in the internal electricity market have been fully transposed and application of the legislation mentioned will begin on 1 July 2007 by implementing feed in tariff system for renewable and cogeneration.
Regarding biofuels The Regulation on the quality of biofuels lays down the national indicative target share of 5.75% for biofuels in total annual consumption of gasoline and diesel fuel to be achieved by 31 December 2010.

With the view of achieving the national indicative target, the Government of the Republic of Croatia issued the Decision establishing the annual percentage of biofuels in the total share of energy fuel consumption in 2007 placed on the domestic market, amounting to a share of 0.9%, representing an equivalent of 22,000 tons of biodiesel or other biofuel.

To conclude

We can recognise “that access to adequate, reliable and affordable energy is fundamental to achieving the region’s economic, social and environmental objectives, that energy security challenges are constantly evolving, and that our efforts to enhance energy security must be flexible and responsive.”

Recognising the essential link between energy and sustainable development and the environmental pressure imposed by ever-increasing energy consumption, there is great need to coordinate the energy, the economic and environmental objectives.

Significant investments are needed to bridge the gap between supply and demand and to pursue diversification and this requires a stable political and regulatory environment.

In the short-term Croatia will become a very important energy crossroad for Europe and will substantially increase the security of energy supply in the whole region and the EU.

I believe that a newly established common market will make rapid progress and that it will increase the security of energy supply for all the Parties of Energy Community from the Atlantic to the Black Sea and that Energy Community will inevitably bring good results for the benefit of all the peoples in South and Eastern Europe. Moreover, I am very glad and proud that Croatia, as a Party to the Treaty Establishing the Energy Community, contributes to this successful initiative.

THANK YOU VERY MUCH FOR YOUR ATTENTION.