JANAF’S DEVELOPMENT AIMED AT SECURITY OF OIL SUPPLY THROUGH STRENGTHENING COOPERATION WITH OIL COMPANIES

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24 November 2016, Zagreb, Croatia
To convince our business partners that JANAF has potential to increase security of oil supply in Croatia and in the region

To contribute also to oil companies growth, finding the best way how to answer numerous challenges

Oil industry has changed significantly in the last 40 years and this process is going on

We would like to create our successful future together and we are on the good way to do that
JANAF pipeline has significant role in oil supply to refineries of SE & Central Europe

1979-2016 oil transport: 214 mil. tons

Diversification in crude oil and petroleum products storage – 40% of revenues
JANAF OIL PIPELINE & STORAGE SYSTEM

- JANAF Plc. performs the activities of crude oil transport, as well as storage and reloading of crude oil and petroleum products
- Designed capacity - 34 million tons of crude oil transported annually (MTA), while the installed capacity amounts to 20 MTA
- Length of pipeline - 622 km
  - Omišalj-Urinj subsea oil pipeline linking the Omišalj Terminal and INA-Oil Refinery Rijeka
- Reversal flow on the Sisak-Croatian/Hungarian border-Sisak section
- Terminals:
  - Crude oil: Omišalj (1 mil. m³), Sisak (500.000 m³), Virje (40.000 m³), Slavonski Brod (no storage tanks)
  - Petroleum products: Omišalj (60.000 m³), Žitnjak-Zagreb (142.000 m³)
TURBULENT FOUR DECADES FOR JANAF & OIL INDUSTRY

- Oil price increase / decrease
- Political and economic crises in Croatia and the region
- Refineries shutdown
- Most refineries have stopped oil transport periodically

![Graph showing oil transport in tons over time with different refineries highlighted.]
CHALLENGES AND OPPORTUNITIES
DOMESTIC AND REGIONAL OIL MARKET

Consumption, in 000 tons

Net oil import, in 000 tons
24 European refineries have been shut down since 2007; further refinery overcapacity and competition strengthening are expected.

European refineries are less complex than new Asian refineries, mostly 40 and more years old, with focus on gasoline configuration.

High diesel import from Russia and Middle East.

Diesel cars share increase to 50% in 2015, compared to 15% - 20% in 1990.

Structure of fuel car consumption would be changed with more electric cars, transport “gasification”, etc.

Less crude, more product import.

Strongest growth in non-refined category:

- Petrochemical feedstocks saw strongest growth. All can be supplied by fractionators.
- Light and middle distillates saw more modest growth rates.
- Fuel oil declined.

Source: K. Petrosyan presentation, 10th ERS, 2016.
CHALLENGES FOR OIL INDUSTRY

OIL PRICE

Arabian, Dubai/Fortes/Brent ($/bbl)
Paris climate conference (COP21) in December 2015 - 195 countries adopted the first-ever universal, legally binding global climate deal; document enters into force on 4 November 2016

Governments agreed
- a long-term goal of keeping the increase in global average temperature to well below 2°C;
- to aim to limit the increase to 1.5°C, since this would significantly reduce risks and the impacts of climate change

EU's role
- The EU has been at the forefront of international efforts towards a global climate deal

The EU was the first major economy to submit its intended contribution to the new agreement in March 2015. It is already taking steps to implement its target to reduce emissions by at least 40% by 2030
EU ENERGY POLICY

Targets for 2030

- 40% cut in greenhouse gas emissions compared to 1990 levels
- at least 27% share of renewable energy consumption
- at least 27% energy savings compared with the business-as-usual scenario

EU Oil consumption 2035 - 511 mil. tons
(590 mil. tons 2015, -13%)

Policies for 2030

- Diversification of supply and interconnection capacities between EU countries
**9.3. JANAF – ADRIA PIPELINES**

**EU PROJECT OF COMMON INTEREST**

- JANAF is recognized as the EU strategic pipeline through the project of common interest entitled *JANAF-Adria pipelines: reconstruction, upgrade, maintenance and capacity increase of the existing JANAF and Adria oil pipelines linking Croatian Omišalj seaport to the Southern Druzhba*


- Strategic task: Increase of oil supply security of SE, particularly CE countries (land lock refineries), using Omišalj import direction

- But without support of the EU funds, only benefits from regulation on permitting granting procedures

- 3rd List – 2017 !?
Increase competitiveness
- complexity, flexibility, interoperability
- higher and diversified production/transport/storage/ quantities
- market widespread, sale increase (crude oil, petroleum products; non petroleum products compatible to oil business)

- Storage restructuring (crude/products), new storage locations (emerging markets, at marine terminals)

- Business diversification and new sources of revenue: integration of oil & energy business, as well as with petrochemicals; investment in new oil infrastructure in countries with emerging markets; investment in non-oil car fuels, renewables, electricity…

- Ensure access to different import routes and sources for crude oil and petroleum products
JANAF CONTRIBUTION TO OIL SUPPLY SECURITY AND GROWTH STRATEGIES OF OIL COMPANIES

- Available and new pipeline and storage capacities for crude oil and petroleum products
- Strategic partnership for new storage & pipeline projects & non oil projects
- Flexibility and readiness to improve services in line with oil companies requirements
- Two oil supply directions and diversification of oil supply sources
- Access to oil market/refineries in 6 countries (9 refineries)
- Benefit for oil companies and JANAF
JANAF’S DIVERSIFICATION STRATEGY IS UNDERWAY AND WILL CONTINUE IN LINE WITH ENERGY POLICY AND CUSTOMER NEEDS

### Revenue structure of core business, 2015

- **Oil transportation**: 60.4%
- **Crude & Products Storage**: 39.6%

### Core business revenue market structure

- **Domestic market**
  - 2011: 48.8%
  - 2013: 56.1%
  - 2015: 66.6%
- **Foreign market**
NEW DEVELOPMENT PROJECTS

- Protection and safety
- Modernization
- Crude oil transportation & crude oil and petroleum products storage
  - Including projects of technical and technological adjustment to customers requirements
- Diversification - non oil projects
  - Renewables
  - Electrical cars
  - Local projects
PROTECTION AND SAFETY

With the aim of securing and protecting, as well as prolonging the oil pipeline life service, the company conducts, among others:

- Pipeline rehabilitation projects

- Construction of subsea oil pipeline linking the island of Krk and the mainland, which should replace the existing crude oil transport through the Krk bridge (at final stage)
SCADA

Control Centres at Omišalj and Sisak Terminals

- Based on state-of-the-art technology with respect to automatic control, IT and telecommunications
- Purpose:
  - to increase the operation safety and efficiency, such as pipeline leakage detection;
  - to monitor and plan batches and scraper/pig runs, etc.
NEW STRATEGIC DEVELOPMENT PROJECTS
OMIŠALJ TERMINAL

- Project of Reconstruction & Upgrade of Storage Facilities and Infrastructure at Omišalj Terminal
  - Purpose of the Project is to improve terminal operations, capacity utilization & interoperability
  - Further increase of storage and oil transport is expected
    - Storage construction, underway: crude oil (2*80,000 m³), petroleum products 20,000 m³
    - Preparation of storage construction: crude oil (3*80,000 m³)

Total storage capacities in next few years (expected):
- crude oil - 1,4 mil. m³: JANAF Total 1,94 mil. m³
- petroleum products 80,000 - 160,000 m³: JANAF Total 300,000 m³
NEW STRATEGIC DEVELOPMENT PROJECTS

Sisak Terminal

Further increase of storage activities

- Potential new capacities: crude oil (2*80,000 m³)

Žitnjak, Zagreb Terminal

Further increase of storage activities

- Potential new capacities: petroleum products (60,000 m³)
PROJECTS OF TECHNICAL & TECHNOLOGICAL ADJUSTMENT TO CUSTOMER REQUIREMENTS

- Reconstructions and upgrades of petroleum products tank farm (adding of biofuels, additives, VRU, …)
- Transportation-storage facilities adjustment to customers requirements (pipeline reconstructions, blending project, metering station upgrades, …)
CONCLUSION

JANAF has capacities, strength and possibilities for own growth

And to contribute to growth of oil companies as well as to Croatian economy development

- Significant role in oil supply security of Croatia, Central & SE European countries
- Open to cooperate with oil companies on strategic structural changes and development having in mind turbulent oil market, climate and energy policies, new competition
  - Available and new pipeline and storage capacities for crude oil & petroleum products
  - Technical and technological adjustment to customers requirements
  - Access to oil market/ refineries in 6 countries (9 refineries)
  - Two oil supply directions and many different oil supply sources
- JANAF continues developing new projects and diversification strategy as sources of new revenues and growth
  - Particularly, improving security, reliability and quality of transportation and storage services
  - Contributing to positive climate changes
  - Contributing to faster Croatian economy growth
Thank you!