4th International Energy & Oil Conference

ENERGY INDUSTRY AND OIL COMPANIES IN 21st CENTURY CHALLENGES

Dear ladies and gentlemen,

It is my honour and pleasure to welcome you at the beginning of the 4th JANAF’s International Energy & Oil Conference that we have organised this year in cooperation with the Transneft company.

Allow me to extend my special welcome to Mr. Tomislav Ćorić, envoy of Croatian Prime Minister and Minister of Environment and Energy.

I would further like to welcome Mr. Goran Marić, Minister of State Property, diplomatic corps delegates, Mr. Darinko Kosor, chairman of the Parliament Committee on the Economy, and Mr. Stjepan Ćuraj, Parliament Member, State Secretary and Assistant Minister, as well as other representatives of government institutions, together with representatives of scientific institutions and academic community.

The warm welcome also goes to our dear co-organisers and partners from Transneft.

I also welcome all the representatives of numerous European energy companies, as well as present and future business partners.

I wish a warm welcome to all of you to this year energy and oil conference, that has already become a traditional meeting place of oil, scientific and professional public for exchanging opinions, information and experiences on the energy and oil market challenges.

This year conference is also a good opportunity for us to present a new visual identity of JANAF. Wishing that a company like JANAF, which in the last few years has recorded an exceptional business performance, and in 2019 celebrates its 45th anniversary and 40 years of its operation, to be recognised by a new, modern logo, we decided for a change. A graphic design of new logo symbolises in its blue part a cross section of the oil pipe and the colour of the European Union, and in its red part the Republic of Croatia, as a dynamic country, in movement, turned towards the future. Together they symbolise the company turned towards the continuously successful business vision.

By investing into technical and technological modernisation of the oil pipeline and storage system and new storage capacities, we wish to diversify our business also to non-oil projects, thus ensuring the company’s further growth and development.

I wish us all a successful working and encouraging environment at this year conference.

Dr. sc. Dragan Kovačević, Chairman of the JANAF Management Board
The conference was opened by dr.sc. Tomislav Ćorić, special envoy of Croatian Prime Minister and Minister of the Environment and Energy. The welcoming remarks were given by dr.sc. Goran Marić, Minister of State Property, as well as by dr.sc. Dragan Kovačević, Chairman of the JANAF Management Board and, on behalf of Nikolay Tokarev, President of Transneft, by Sergey Kazanstev.

In his welcoming remarks, dr.sc. Dragan Kovačević, Chairman of the JANAF Management Board, pointed out that the JANAF’s conference has traditionally become a gathering place for the oil, scientific and professional public, where the opinions, information and experiences are exchanged on the challenges facing the energy and oil markets.

“Without initiating new investment cycles, Croatia will become completely dependent on the energy imports. Therefore, our Ministry has placed an emphasis on the energy projects, on the domestic production revitalisation and the supply routes diversification. The oil industry is under the strong influence of global geopolitical relations, and in this context, Croatia can realise its chance in which it will be able to offer to the companies a stable investment environment”, pointed out dr.sc. Tomislav Ćorić, Minister of the Environment and Energy, in his opening remarks.
Dear Mr. Kovačević, dear friends and colleagues!

On behalf of Transneft I am pleased to welcome you at the 4th International Conference organized by JANAF.

I am greatly honoured to convey to you the welcoming address of the President of Transneft Nikolay Tokarev.

Dear Mr. Kovačević, 
Dear friends and colleagues!

I am glad to welcome you at the opening of the 4th International Conference of JANAF. This annual year-end conference has already become a tradition. I am most satisfied to say that Transneft has been an active participant of the Conference for two years in a row.

We closely follow the success of JANAF, and we do know that our Croatian partners have been working hard over the last few years to create new capacities and upgrade the existing transportation infrastructure. The best example of the Croatian colleagues’ accomplishment is the upgraded terminal and sea port in Omišalj. JANAF is working step by step on the expansion of its pipeline network to supply various types of fuel to Central and South Eastern Europe, which would be a significant contribution to the regional energy security and would help create a strategic inventory in the southern part of the European Union.

We cooperate with our Croatian partners, and maintain a regular exchange of information in a daily routine manner, or when we meet each other in various international conferences.

Over its 25-year history Transneft has accumulated rich experience in pipeline construction, maintenance, repair and upgrading, including some areas where we have really unique expertise. We have created our own scientific research and production capacities. Today we want to offer cooperation with our specialized entities manufacturing most advanced hi-tech products meeting the highest world standards, but a way cheaper than their foreign counterparts.

We keep on growing and finding new ways to diversify our business, in particular, through cooperation with major companies all over the world. The most recent example of such cooperation is the plant manufacturing high-voltage electric motors which we have built in the city of Chelyabinsk, Russia, together with our Italian partners. The commissioning ceremony was held in late October.

Today, this conference has gathered here, in this hall, many partners of JANAF. Some of you have been working with JANAF for years, some are newcomers just exploring the opportunities of future cooperation. I am certain that all discussions during this conference will be frank and fruitful for all of us. We will have a good chance to exchange opinions and discuss topical issues of crude oil and petroleum products transportation and storage, as well as to explore global and regional trends having impact on the energy market’s future.

I wish JANAF to grow and prosper, and I wish all the participants to work successfully and to come out with good results at this Conference.

Nikolay Tokarev
President of Transneft
In Croatia, the energy consumption trends indicate the realisation of the main energy goals, along with a reduction in production by 9% compared to 2009 (the oil consumption dropped by 27%, and of gas by 11%). He pointed out that for almost 40 years JANAF has a strategic role in oil supply to ten refineries in seven countries of South Eastern and Central Europe, and in the period between 1979 and 2018, 230 million tons of crude oil were transported. JANAF offers to the refineries the possibility of crude oil import from two directions, storage of crude oil and petroleum products, and access to the market of 28 million tons. With that aim, JANAF will continue with the development of new projects and diversification strategy.

Andrey Kopysov from Transneft gave a presentation on the technology of the energy efficiency at work. He explained how the greatest company in the world saves the energy and conducts the policy of improving energy efficiency. Transneft itself consumes 1.3 percent of the total energy consumption in Russia. The largest part of that consumption, namely 81%, relates to the electricity consumption, so the company follows closely the specific consumption of electricity (per unit), as a basic indicator that determines the efficiency of oil pipeline transportation.

Since the introduction of the systematic policy of the energy savings initiated in 2009, Transneft has been constantly increasing the crude oil transport (from 31.3 million tons of kilometres in 2012 to the expected 53.3 million tons of kilometres in 2019) and has been constantly reducing the specific energy consumption (from 15,53 kWh per million tons of kilometres in 2012 to 14,14 kWh per million tons of kilometres in 2019). Such policy led to the savings of up to 2.8 billion kWh in the period between 2009 and 2017, while in the period between 2018 and 2023 the further savings are expected of a half billion kWh.

The panelists in the first panel entitled “Energy strategies of oil companies for the 21st century” were the representatives of three integrated oil companies from the wider region, one oil pipeline and two oil experts.

The topics discussed in the first panel related to the current market position of the refineries and their perspectives to 2030 and 2050, challenges facing the oil companies in this century; influence of oil price growth over the past months to the business operations of oil companies and expectations in 2019 and in the long term to 2030, as well as perspectives of modernisation, and challenges of shutting down the European refinery capacities reaching 600 million tons per year.

Sándor Fasimon, President of the INA Management Board, emphasised the importance of constant refinery modernisation, indicating, however, that it should be based on the profitability. Csaba Zsoter, a MOL representative, expressed the content that doing business with JANAF provides them with the possibility of diversifying the supply routes of crude oil import. Nebojša Lemajić from Transnafta revealed the intentions of expanding the activities of the major storage operator of the compulsory reserves in their country. Andrey Tuchnin, a NIS representative, announced that in the six months the completion of the deep refining complex upgrade is expected, thus making the Pančevo Refinery one of the most modern refineries, producing exclusively so-called light petroleum products. Dr.sc. Gordana Sekulić from JANAF said that they are in the process of completing another phase of the major investment cycle, which partly related to the realisation of yield on storage, and partly to the construction of necessary infrastructure for turning the Omisalj Terminal into the Adriatic spot market for crude oil and petroleum products. Eugene Lindell, JBC Energy analysts, estimated that the oil companies could best face the modern challenges by reaching the maximum flexibility.
SECOND PART: ROLE OF ADRIATIC REGION IN EUROPEAN SUPPLY OF CRUDE OIL AND PETROLEUM PRODUCTS

Lewis Jones from Glencore gave the presentation on the role of the Adriatic region in European supply of crude oil and petroleum products. He commented an abrupt fall of crude oil price from the beginning of October until today from the level of above 85 USD/b down to the present one of around 65 USD/b, thus making again the market situation of contango, creating, therefore, the greater perspectives for storage. He explained the mutual differences in prices between certain crude oil grades (Siberian Light, CPS, Saharan, Az- eri Light, Ural’s). He indicated the freight volatility on the major global supply routes last year and this year, as well as their mutual differences. He observed a slight reduction in European crude oil supply in 2018 compared to 2017, followed consequently by a slight drop in the capacity utilisation of the European refineries. In 2018, Europe observes, in comparison to 2017, a growth of crude oil imports from the USA, the import of Iraqi crude oil recovers after the fall at the beginning of the year, the import of Nigerian crude is also slightly higher, while the import of Iranian crude has been falling since May. He showed the structure of crude oil imports per different grades in the first ten months of 2018 for Italy (where the relatively highest imports concern the crude oil from Azerbaijan), Greece (the highest relative imports of Iraqi crude) and Croatia (the highest relative import of Kurdistan crude). He pointed out the importance of JANAF in the crude oil supply of the region in the conditions of the market volatility and growing uncertainty.

Vladislav Veselica, a JANAF representative, pointed out that around 4,500 tankers navigate yearly on the Adriatic Sea and that in every moment in the Adriatic ports 30-40 tankers wait for discharge. The refinery capacity in the wider Adriatic region reaches 120 million tons per year, thus emphasising the importance of the Adriatic supply route. Dražen Preradović from Gazpromneft announced that his company in the current year would increase the production of crude oil and condensates to 90 million tons and to 2020 onwards to 100 million tons. Of that, the off-shore production on the Arctic amounts to 7 million tons. Their crude is placed on all European markets, and a good part ends up in the Adriatic ports of Trieste and Omisalj, too. Jorge Montepeque, an ENI representative, pointed out that today the politics encourages the market volatility more than ever, and that in the modern times many things are solved by twitting. He points out that we are all prisoners of the caught circumstances and that the circumstances for Europe are not good in general. Nives Bukovac from MOL said that the MOL Group achieved the record business performance in the current year and that they expect the positive effects upon entering the IMO 2020 in force, given the high degree of modernisation of their refineries in Hungary and Slovakia. Marino Velan, a representative of Vitol, thinks that for his company the Mediterranean market is very important. On the one side, the trend is observed of shutting down the Italian refineries (Venice, Rome and Mantova), while the third refinery is opened in Turkey. He forecasts that the process of refinery consolidation and optimisation is intensified. He points out to the increased diesel imports from the USA, especially during winter, yet also a lack of port on the Adriatic that would receive the vessels with the US petroleum products of the capacity over 70 thousand tons. He indicates that Vitol likes the market volatility because in these circumstances they always try to be on the right side.

The panellists in the second panel entitled “Role of the Adriatic region in European supply of crude oil and petroleum products” were the oil traders and a representative from JANAF.

The topics discussed at that panel related to the forecasts of oil price movements in 2019 and their influence to the business operations of oil companies; forecasts of oil trading on the European and Mediterranean markets; and to the trends and possibilities of significant changes in the oil import directions and final destinations on the European and Mediterranean markets.
THIRD PART: ENERGY COMPANIES IN REALISATION OF ENERGY, CLIMATE AND ECONOMIC DEVELOPMENT

Darinko Bago, President of the Management Board of Končar d.d., presented the strategic changes in the energy consumption to 2040. He highlighted that, at present, the oil still has the highest relative share in the structure of the primary energy consumption in the world, but it would change in the future. In the total global energy investments amounting to USD 1.8 billion in 2017, which keep falling the third year in a row, the investments into the electricity (USD 750 billion) were higher than the investments into the oil and gas (USD 716 billion). That year, the highest growth was recorded in the solar energy investments. Due to new energy policies, the changes will occur in the structure of the primary energy sources, and thus the growth of sources with a lower greenhouse gas emission will be especially intensified. Despite that, he expects that the needs for oil and gas will be significant to 2040 and beyond. According to his opinion, the energy sector is faced right now with the incredible changes.

The panelists in the third panel entitled “Strategic changes in 2030/50 energy consumption” were the representatives of five different energy companies, an energy expert from Belgrade and a JANAF representative.

The topics discussed at the panel related to the forecasts of reduced oil share in the global primary energy consumption; preparations of a major oil company like MOL for successful business operation even after 2030; results of Crodux while applying their strategy of diversified development; challenges of Petrol for a low-carbon era; ways of JANAF’s realisation of the climate and energy policies; ambitious strategic plans of HEP to achieve 70% of the electricity production from the renewables until 2050; plans of PPD as leader on the Croatian gas market.

Dr. sc. Dragan Kovačević thanked all participants for their attendance and contribution to the conference success. He also seized the opportunity to announce the 5th conference and expressed a wish that it would gather even more participants.
The conference participants visited the JANAF’s Omišalj Terminal on 22 November 2018. Bruno Janković, Manager of the Omišalj Terminal, held a presentation on the JANAF oil pipeline and storage system, after which the guests made a tour of the terminal.