



CURRENT POSITION OF SERBIAN GAS INDUSTRY

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ENERGY POLICY

Energy policy sets out three crucial elements of sustainable development:

- Competitive energy market
- Environment protection
- Energy efficiency and use of the renewables

In order to achieve these goals:

- The Energy Law passed in 2004 and
- the Energy Regulatory Agency of Serbia (AERS) established in 2005

LEGAL FRAME

- Energy Law with partly adopted secondary legislation
- Treaty Establishing the Energy Community of 2006 includes implementation of Gas Directive 2003/55/EC

REGULATORY FRAME

- Tariff systems and methodologies of January 2007
- Preparation of Transmission and Distribution Operation Code – Network code

BALANCE FIGURES

- Since 1996, production of natural gas has reached an average level of 0,7 bcm per annum
- Natural gas production saw the decreasing trend in the last few years
- Currently, Serbia produces 0,2 bcm of natural gas from own fields per annum

- Domestic natural gas production amounts approx. 8% of total market demand
- The biggest share of the market demand in 2007 was covered by the natural gas import from the Russian Federation, reaching the level of about 2.2 bcm

- Realized scope of natural gas transit to Bosnia and Herzegovina was approx. 320 mcm
- Total consumption in 2007 has amounted to approx. 2.1 bcm
- Natural gas share in final primary energy consumption has reached 14%

FINAL PRIMARY ENERGY CONSUMPTION

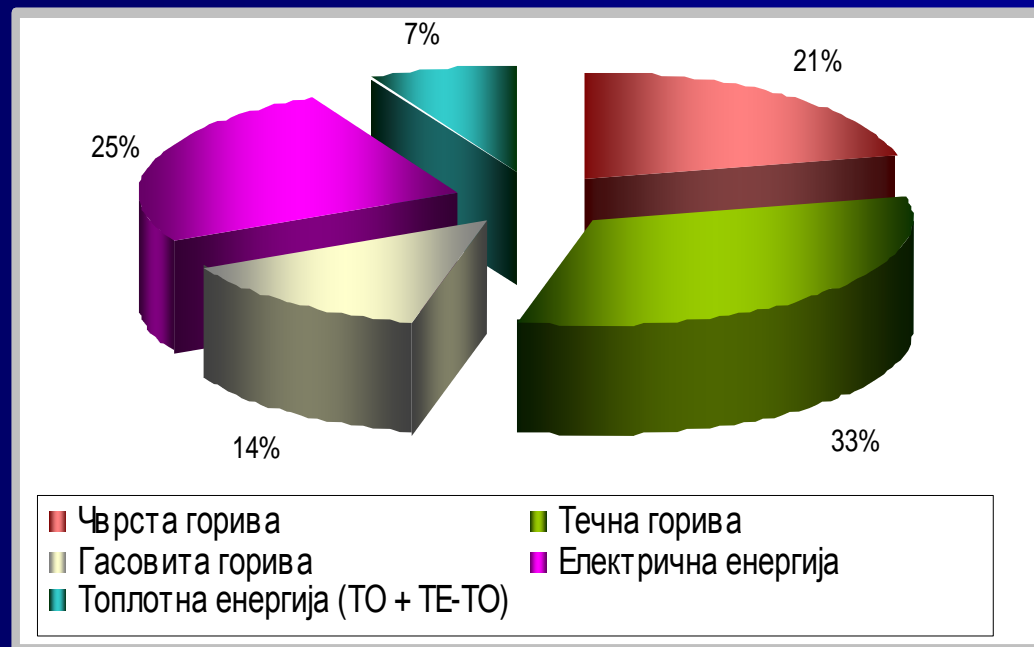
electricity

gaseous fuels

*thermal energy
(heating plants and
thermal power plants)*

solid fuels

liquid fuels



NATURAL GAS DEMAND FORECAST

- Since 2002, market demand has become stable, with growth projections
- Gas demand is expected to reach 3.5 bcm per annum by 2015

GAS CONSUMPTION

- Gas is used for non-energy consumption in the chemical industry (approx. 15%) and
- For energy purpose in industry, power plants and district heating plants (approx. 85%)

TRANSMISSION SYSTEM

- Total length of the transmission system is 2150 km with
- Maximum capacity of 6,1 bcm and
- Maximum operational pressure of 50 bar
- Average age of the pipeline system is 25 years

- The great part of the import capacity remains unused for the most part of the year because of high seasonal demand swing
- The existing transit contract with Hungary does not provide sufficient capacity to meet peak winter demand

- This situation will grow worse with increasing demand and declining domestic production

GASIFICATION

- Northern part of Serbia is fully gasified
- Western and Central Serbia are only partly gasified and
- The gasification of Southern Serbia has barely begun

There are two key objectives in natural gas sector the government intends to achieve:

- Intensified gasification (with increased gas storage capacity) and
- Increased number of options for gas import

STRATEGIC INVESTMENT PROJECTS

- Underground gas storage Banatski Dvor
- Niš-Dimitrovgrad Gas Transmission Pipeline
- Natural Gas Transmission System Rehabilitation
- Extension of gasification

POSSIBLE INTERCONNECTION

- Connection to the Bulgarian system via the Niš-Dimitrovgrad route
- Connection to the Romanian system via the Arad-Mokrin route
- Additional connection point with BIH
- Connection with Croatia via energy corridor at Sotin on the Danube

JP SRBIJAGAS

Public enterprise Srbijagas started its activities in October 2005 covering transmission, distribution, underground storage, system operation and trade of natural gas
(<http://www.srbijagas.com>)

- Modern company with the more than fifty years of experience and tradition
- Leader in Serbian gas market

Main company responsible for gas transmission within Serbia, which has initiated a number of programs:

- Natural gas storage facility
- Additional import capacity

UNBUNDLING PROCESS

- Further restructuring of the company is in progress, in line with the restructuring process under the European Directive 2003/55/EC
- There are many indicators that 2008 will be the year of significant and structural changes in the natural gas sector

MEMORANDUM OF UNDERSTANDING

Signatories of the Memorandum are Government of the Republic of Serbia, Public Enterprise Srbijagas and Gazprom export based on the Agreement between FRY and Russian Federation of 1996

- The Memorandum considers development prospects of the International gas pipeline construction project
- This transmission gas pipeline should enable gas transmission from Russia through the South-East European countries, including Serbia and Croatia, to northern Italy

Diversification of natural gas supplying routes in the region of South-East Europe would contribute considerably to the regional gasification development, as well as to the better and more secure European market supply

**THANK YOU FOR YOUR
ATTENTION**

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