



LPG MARKET IN SERBIA, 2009

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GENERAL CONSIDERATIONS

✓ Republic of Serbia (Republika Srbija) 2009

Surface: 88.361km²

Population: 10.800.000 inhabitants

Political-administrative organization:

Republic of Serbia

Parts of Serbia: two autonomous regions:

Vojvodina and Kosovo (international administration)

Inflation: 10,1% (2007) 8,6% (2008)

9% (2009 estimation)

Gross domestic product: 7,5% (2007) 6,1% (2008)

-4,5% (2009 estimation)

Unemployment rate: 19% (2007) 18% (2008)

21% (2009 estimation)





ENERGY MARKET

- ✓ 85% of oil fuel consumption is provided from import (approximately 2.000.000.000 USD/year).
- ✓ Natural gas network developed in Vojvodina and central Serbia connected to main gas pipeline from Hungary, East and South Serbia without, “South Stream” project still not “alive”
- ✓ The main supplier for the oil fuel to Serbia is NIS holding (Naftna Industrija Srbije), bought last year from GAZPROM, organized in holding. (with 2 oil refineries, 500 motor fuel pump stations, which represents 35% of total motor fuel retail market)
- ✓ NIS daughter company for LPG activity called “NIS TNG” is included in this sale contract
- ✓ Import of oil and oil derivatives is restricted by government until 2011 with obligation due to importer for preparation of crude oil in domestic oil refineries (Novi Sad and Pancevo)
- ✓ New oil refinery in Smederevo (100.000 barrel/day) still in plan



ENERGY MARKET

- ✓ Prices (September 2009. included VAT of 18%):
 - Wood: 40-50 e/m³
 - Natural gas: 0,43 e/m³ – VAT is 8 %
 - Light oil: 0,75 e/l
 - Heavy oil: 0,45 e/kg
 - EuroDiesel: 1,06 e/l (excise included)
 - MB 95 Benzine: 1,1 e/l (excise included)
 - Coal lignite (dry): 80 e/t
 - Electricity: 7,5 eurocents/kwh

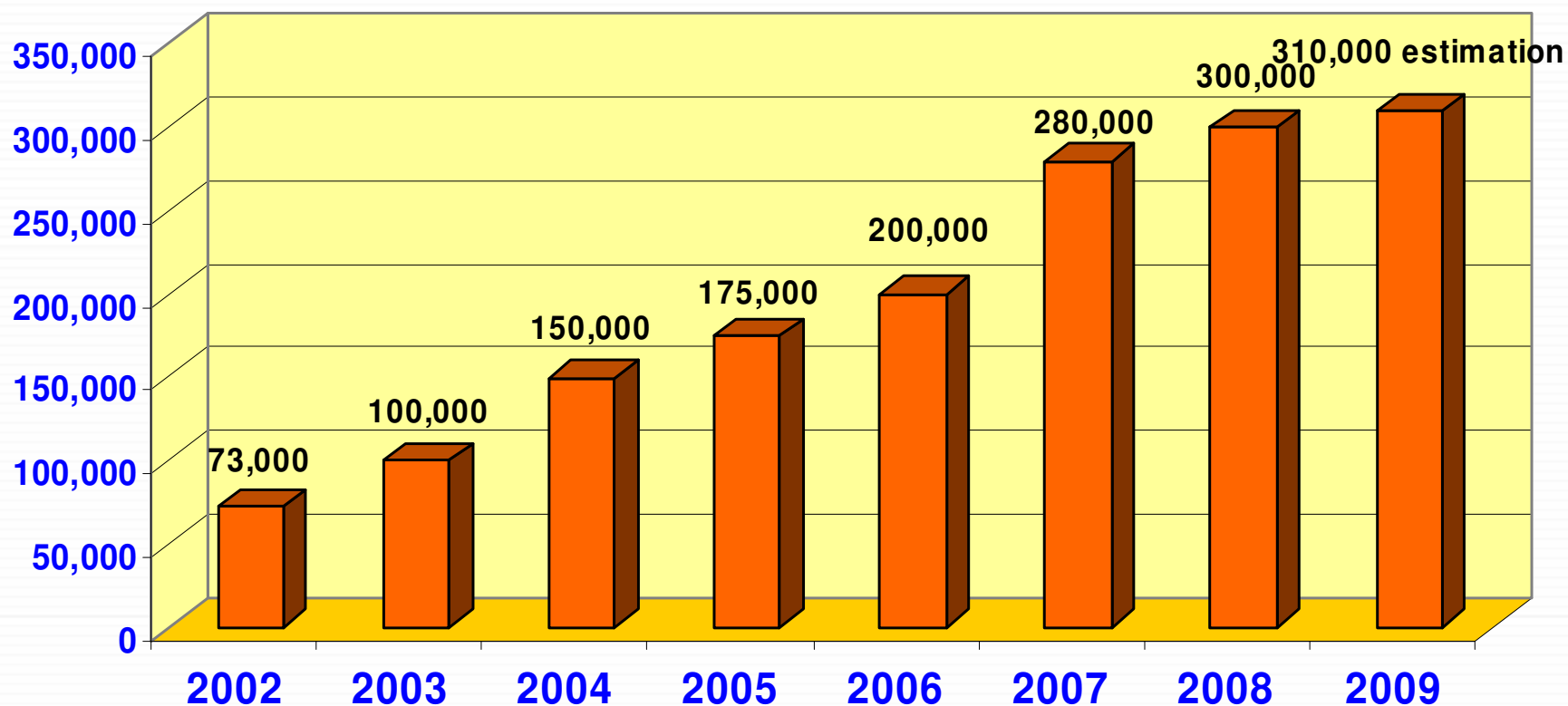


LPG MARKET 2009, characteristics

- ✓ Domestic production capacity **80,000 – 100,000 t/year** (NIS, 2 oil refineries – Novi Sad and Pancevo and 1 refraction natural gas plant – Elemir), yet not achieved, new oil refinery in Smederevo (**100.000 barrel/day**) still in plan
- ✓ LPG import is not restricted
- ✓ Since **2007** for all kind of LPG activities (trading, storing, retail sale..) is obligated “Energy license” issued by state authority
- ✓ Minimum required LPG storage capacity (starting June **2008**) is **1000 m³**
- ✓ In **2008**, **80%** of LPG consumption through motor fuel mixture (**35% Propane/65% Butane**), in **2009** similar is expected
- ✓ Import supply sources: Romania, Croatia, Italy, Hungary, Russia...dominantly by railway, one river unloading spot (MBGAS Oil), Belgrade, is in activation
- ✓ Ending **2008** and in **2009** LPG market decrease (slowdown) development with **10-15%**
- ✓ Changes in market share (KNEZ GAS, EUROGAS, INTERGAS, ATAKO, VITALGAS...)

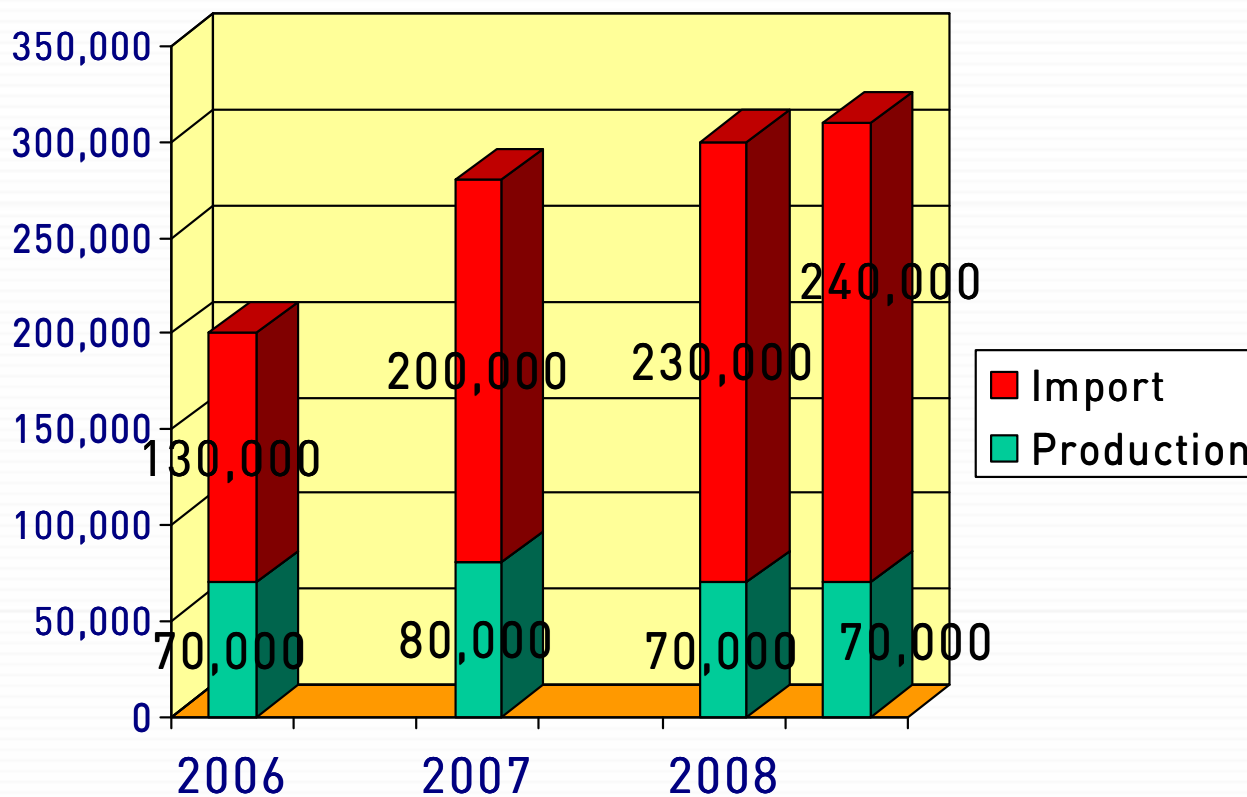


LPG MARKET, evolution in Serbia (t/year)





LPG MARKET, domestic production/import 2006-2009 (t/year)





LPG MARKET, prices

- ✓ Prices (September 2009. included **VAT of 18 %**):
 - Motor fuel LPG on the stations:
0,49-0,51 e/l (included excise 160 e/ton)
 - LPG in cylinders:
0,78 e/kg
 - NIS wholesale autogas:
510 e/ton (without VAT)



LPG MARKET, motor fuel LPG distribution channel

- ✓ 85 % of LPG consumption in Serbia
- ✓ App. 500,000 cars (25 % of 2 000,000 total cars) with LPG installations
- ✓ Increase of 100,000 new car installations in 2007, app 70,000 in 2008
- ✓ End sellers (motor fuel LPG stations) are excised with 160 e/t
- ✓ More than 650 motor fuel LPG stations. Last couple years companies like OMV, EKO HELLENIC, MOL, LUKOIL, ATAKO, EUROGAS... established their own network (up to 30 stations),
- ✓ Old legislative (from 1971) still didn't change:
 - ✓ Skids are not allowed
 - ✓ Stations mostly equipped with underground 25 – 30 cubic tanks
 - ✓ Aboveground tanks are permitted only if the LPG station is a part of filling bottle plant
 - ✓ It is permitted 35/65 mixture, in 2005 adopted EN 589 but still “not in life”



LPG MARKET, cylinder distribution channel

- ✓ 3 000,000 cylinders in use
- ✓ 65,000 t of LPG from 300,000 t sold in 2008 were sold through bottles distribution channel,
- ✓ 2, 3, 5, 10 and 35 kg net weight cylinders according to Serbian standards (25 bar design pressure)
- ✓ In NIS plants cylinders are filled with butane, others with mixture on the pumps
- ✓ Filling on motor fuel LPG stations is forbidden, only at authorized filling bottle plant
- ✓ Unfortunately, major numbers of fuel motor LPG stations fill the bottles on the spots
- ✓ 95 % of all filling bottle plant capacity is in NIS property
- ✓ But 50 % of LPG through bottles is filled in LPG motor fuel stations outside of NIS (with or without filling bottle spot)
- ✓ LPG sale through bottles is not excised



LPG MARKET, small bulks distribution channel

- ✓ Legislation still do not recognize small bulks
- ✓ Valid legislation (from 1971) accept “transportable containers” (tanks similar to small bulks, but designed for 25 bar, it should be filled ONLY at distributors spot and transported to client)
- ✓ For stabile LPG tanks (designed for 16,7 bar), very strong legislation’s request (water fire protection system, separate unloading stabile spot installation, long distances), almost impossible legal installation
- ✓ 50 “transportable containers” were legally installed in the past by NIS for industrial purpose and big consumers (with vaporizers)
- ✓ Around 1000 small bulks were “black” installed in Serbia in last couple years.
- ✓ Small bulks and “transportable containers” are usually filled with 35/65 mixture.



LPG MARKET, conclusion

- ✓ Still import oriented market without import restriction,
- ✓ Production capacity controlled by NIS (Gasprom, Russia)
- ✓ Increase in LPG sale (through motor fuel LPG and bottles) slow down
- ✓ Share of big market players in retail motor fuel LPG business increased, but still majority belongs to small independent station owners
- ✓ Storage and unloading capacity undeveloped, concentrated in NIS
- ✓ Potential in all distribution channels



Thank you for attention!
Multu mesk!

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