



LPG MARKET IN SERBIA, 2010

Goran Djurdjevic, General Manager,
ButanGas International doo, Serbia

GENERAL CONSIDERATIONS



✓ Republic of Serbia (Republika Srbija) 2010

Surface: 77.474km² (including Kosovo 88.361 km²)

Population: 7.5 M (including Kosovo 10 M)

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

6.6% (2009) 6% (2010 estimation)

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

-3% (2009), 2% (2010 estimation)

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

16% (2009) 20% (2010 estimation)



ENERGY MARKET



- ✓ **85%** of oil fuel consumption is provided from import (approximately **2.500.000.000 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 Gazprom (Naftna Industrija Srbije Gazpromnjeft), organized in holding (with **2** oil refineries, **500** motor fuel stations, which represents **35%** of total motor fuel retail market)
- ✓ 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
- ✓ New plan for decrease of refinery production in NIS



ENERGY MARKET

- ✓ Prices (September 2010. included VAT of 18%):
- Wood: 35-45 e/m³
 - Natural gas: 0,33 e/m³ – VAT is 8 %
 - Light oil: 0,75 e/l
 - Heavy oil: 0,40 e/kg
 - EuroDiesel: 1,14 e/l (excise included)
 - MB 95 Benzine: 1,14 e/l (excise included)
 - Coal lignite (dry): 80 e/t
 - Electricity: 5,5 eurocents/kwh

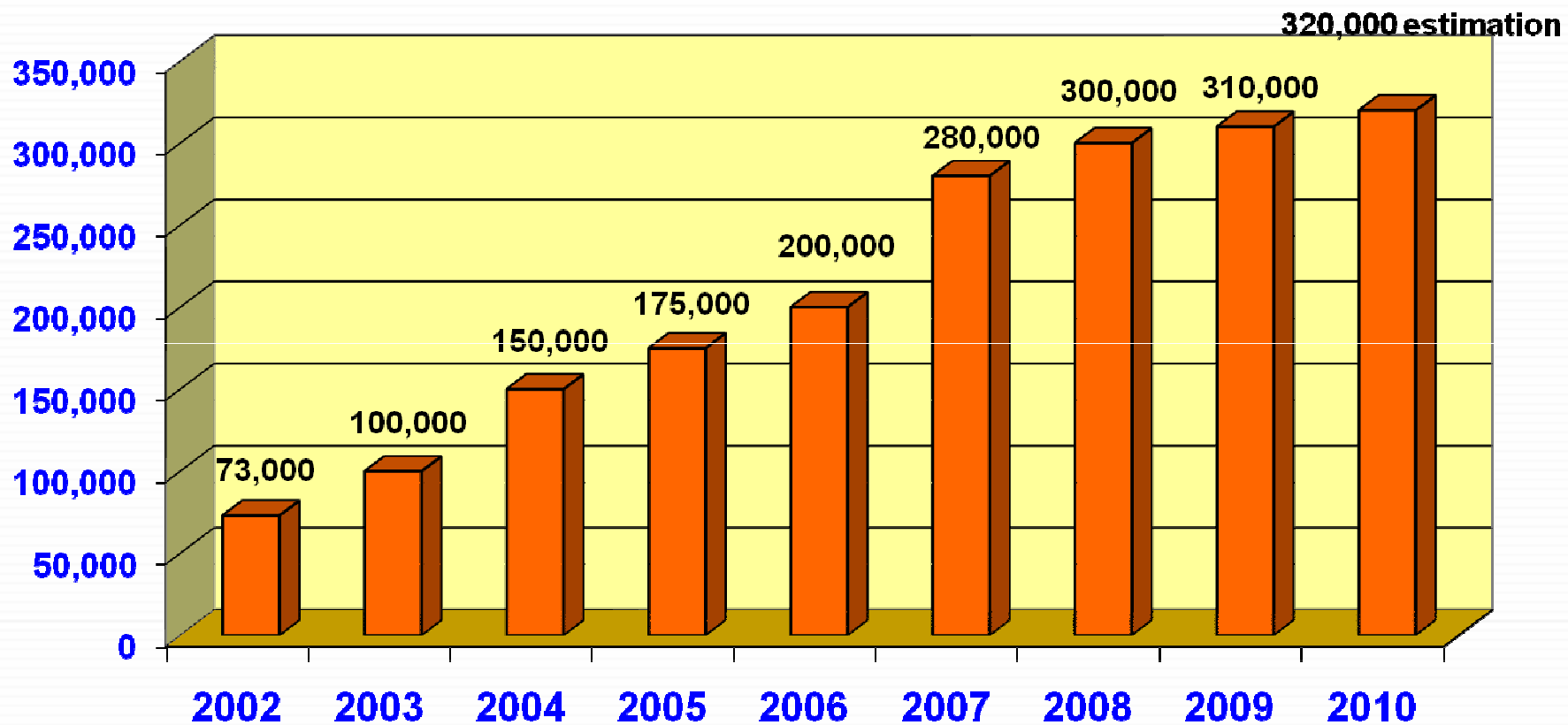


LPG MARKET 2009, characteristics

- ✓ Domestic production capacity **80,000 – 100,000 t/year** (NIS Gazprom, 2 oil refineries – Novi Sad and Pancevo and 1 extraction natural gas plant – Elemir), yet not achieved, chemical plant in Odzaci (Standard Gas) activated, new refinery in Smederevo (**100.000 barrel/day**) still in plan
- ✓ Since **2007** for all kind of LPG activities (wholesale trading, storage, retail sale..) is obligated “Energy license” issued by state authority-Agency for energy
- ✓ Minimum required LPG storage capacity in one depot (starting **May 2010**) is **1000 m³**, but in **June 2010** introduced, and will take power in **Dec 2010**, condition of min. **3000 m³** storage capacity for “Energy license” for LPG trading and production activity
- ✓ In **2009**, **78%** of LPG consumption through motor fuel mixture (**35% Propane/65% Butane**), in **2010** similar is expected on the same level of consumption (**320.000 ton**)
- ✓ Import supply sources: Romania, Croatia, Italy, Hungary, Russia....dominantly by railway, one river (Danube) unloading spot (MBGAS Oil), Belgrade, is activated

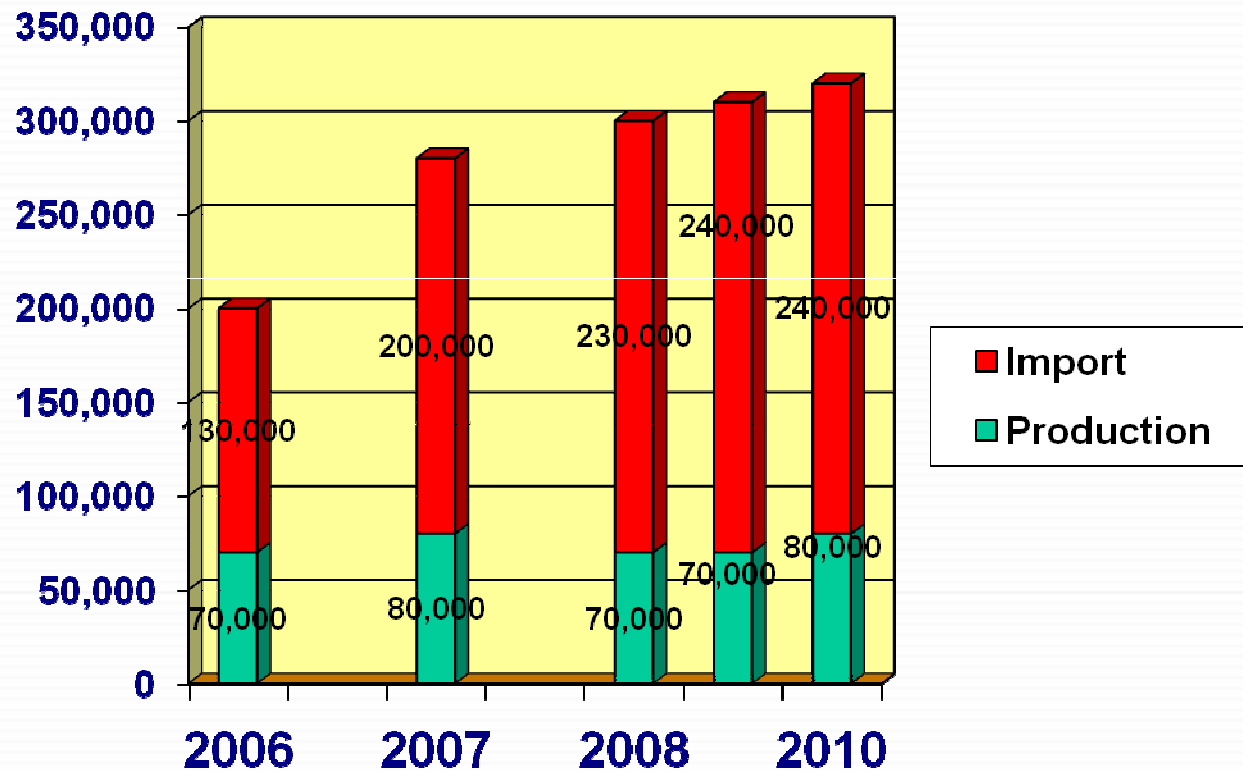


LPG MARKET, evolution in Serbia (t/year)





LPG MARKET, domestic production/import 2006-2010 (t/year)





LPG MARKET, prices

- ✓ Prices (September 2010. included **VAT of 18 %**):
 - Motor fuel LPG on the stations-retail:
0,53-0,56 e/l (included excise 150 e/ton)
 - LPG in cylinders-retail:
0,74 e/kg
 - wholesale autogas:
610-620 e/ton (without VAT)



LPG MARKET, motor fuel LPG distribution channel

- ✓ **78 %** of LPG consumption in Serbia
- ✓ App. **500,000** cars (**25 %** of **2 000,000** total cars) with LPG installations
- ✓ End sellers (motor fuel LPG stations) are excised with **150 e/t**
- ✓ More than **650** motor fuel LPG stations. Last couple years companies like OMV , EKO HELLENIC, MOL, LUKOIL, MB Gas, EUROGAS... established their own network,
- ✓ Old technical 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 **310,000 t** sold in **2009** 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

- ✓ Technical 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 fire protection distances), almost impossible legal installation
- ✓ Small bulks and “transportable containers” are usually filled with 35/65 mixture.
- ✓ LPG sale through transportable containers is not excised



LPG MARKET, conclusion

- ✓ **Import oriented market,**
- ✓ **Domestic production capacity controlled by NIS (Gazprom, Russia)**
- ✓ **Storage and unloading capacity still undeveloped, concentrated in NIS**
- ✓ **High storage capacity in ownership or rent as government condition for import in near future**
- ✓ **increase in LPG sale (through motor fuel LPG and bottles) slow down**
- ✓ **Share of big market players in retail motor fuel LPG business increased**



Thank you for attention!
Multzumesc!

ARGPL Congress, 2010, Mamaia, Romania