

Croatia has stepped up plans to take full control of oil group INA by setting up a special group today to prepare a proposal for a buyout of Hungarian energy company MOL's 49% stake.

Croatia, which holds 45% of INA, has been at odds with MOL for years over management rights and investment policy at the Croatian oil company and said in December that it had approached MOL about a buyout.

The two have been unable to settle their disagreements over control of INA. Zagreb wants more influence in decision-making at INA, while MOL has wanted to keep its management rights.

Prime Minister Andrej Plenković will lead the new group, which includes several government ministers, and will conduct talks with MOL on proposals for a buyout of INA shares.

"I call upon those who believe they have a good model for this operation to present it publicly," Plenković told a cabinet session. "We will consider all the options and choose the most efficient one, taking into account that we do not want to raise the public debt."

Croatia is struggling to reduce public debt which is close to 85% of gross domestic product. The government floated a proposal to sell 25% of state power board HEP in an initial public offering to help to fund an INA buyout. Analysts have expressed doubts that this would raise enough money.

"I see it as a suitable model for buying out INA shares, but as a responsible premier I want to hear other ideas coming from experts in the energy and financial sector, including those from other political parties," Plenković told a news conference after the cabinet session. He said he expected to hold talks with MOL next week. MOL was not immediately available to comment.

INA's current market capitalisation would value MOL's stake at about €2 billion. But some analysts have questioned the relevance of the market capitalisation given that the free float is so small and it remains unclear what price MOL would demand from Croatia.

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