

Montenegro is the only country in the Adriatic Sea who has not yet started activities of oil and gas exploration and production. Croatia, Italy and Albania all have oil drills in the Adriatic, and have been producing for over 50 years.

From over 1.500 oil drills in the Adriatic, Italy has drilled 1.358, and it has 100 gas platforms and 38 oil wells. Our neighbor Croatia drilled 133 oil drills and currently has 18 gas platforms in the North Adriatic. Albania has been actively producing oil and gas since 1960's, mostly inland, but it has a production in the Adriatic Sea on Durresi block. Our state made a plan of acquiring revenue from companies doing business in this industry and it is based on taxes and reimbursements for produced oil and gas. The manner is progressive, meaning that the companies that have the most revenue will pay an increased (progressive) rate for produced oil and gas. This approach is in accordance with a responsible policy of resources managements, where concessionaires are asked to manage state resources trough increased fiscal taxes.

Total revenue that state will acquire from future oil and gas exploration and production is from 62% to 68% of revenues of companies in this industry.

In the period of producing oil and gas, oil companies are due to pay tax of 54% on net revenue acquired from exploration and production of oil and related assets and 9% on dividends, capital gains. They are bound by Law on Taxes. This goes to show that future revenues for the state from oil and gas exploration go from 62% to 68% upstream of hydrocarbon industry.

Revenues acquired from this tax do not all go to the current budget, but 85% of these revenues will go to a special fund, established by a special law, while 15% will go to the current budget. Model of a special oil fund is taken from Kingdom of Norway, that operates with a similar fund, with a difference that in Norway only 4% is taken for a current budget, while the rest remains in the fund. The fund will have strict rules of investment, subjected to supervision. As it is the case in Norway, companies can not be financed from this fund, such as ammunition producers or tobacco producers.

It is interesting to note that our country has a significant historical base in this industry. King Nikola approved of National Assembly's decision to give concession to Netherlands's businessman for oil exploration in the Skadar Lake in 1914.

After the end of World War I, new interest was born for oil exploration, so Zuber brothers tried drilling the first well in the region of Skadar Lake. At the depth of 250 , a drill broke down, and the attempt was unsuccessful. The drill never reached its goal.

From 1949 to 1966, 16 oil drills were made inland, based solely on land geology, without any seismic data.

State company "Montenegro Oil", founded for these purposes, did the drilling.

Hydrocarbon exploration on this territory was taken by state company Jugopetrol Kotor in 1973, in collaboration with foreign companies. They were mostly based in processing activities. Jugopetrol Kotor explored over 10.000 km<sup>2</sup> of seismic profile in the sea, 1.250 km<sup>2</sup> 2D inland, and 400 km<sup>2</sup> 3D seismic explorations, in collaboration with foreign oil companies, in the continental and sea bed of Montenegro.

Three drills were done in the sea: 4.750 m of depth, 3.700 m of depth and 3 4.606 m of depth. Drill UK-1 5.309 m of depth was made in the close vicinity of the coast.

In the beginning of February, the Government passed contracts of exploration and exploitation of hydrocarbon in Montenegro's sea bed, which ended the technical part of the process required to start this industry in Montenegro.

According to Minister of Economy Vladimir Kavarić, concession contracts were made with Italian-Russian consortium, made by companies Eni and Novatek, whose technical offer was deemed the best.

"The contracts will be forwarded to the Parliament, which will give a final word, final approval. The passing is expected in the short term, which means the works will start this year", Kavarić said after Government's session.

He added that the performance of the companies Eni and Novatek is well known, and that the Government is pleased with it.

"The companies are contractually obliged to make three necessary and one assistant well. This is the work program of the first period of exploration in the worth of 85 million EUR, while the other part is worth 12 million EUR", Kavarić added.

He said that this level of works does not represent a promise, but a very precise contract obligation that is based on guarantees for the total of works.

"As far as responsibility goes, the best possible ways of insurance are provided. The contracts anticipate gaining guarantees from mother companies for the damages that could happen in Montenegro", Kavarić said.

The reimbursement entails the reimbursement for the space used on the basis of contract on concession for production and reimbursement for produced oil and gas. Rate of reimbursements for production of oil is 5-12% while concession rates for gas are 2%.

Other incomes is fund for the costs of leaving the reservoir, which is defined by contract and is related to the value of plants and installations, as well as fees for environmental pollution in accordance with applicable Montenegrin law.

source: cdm.me