

Billions of dinars are forgiven to NIS, while domestic natural resources are disappearing. Petroleum Industry of Serbia paid 36 percent less mining royalties for the last year, reports the Vojvodina research center.

For the exploitation of mineral raw materials in Serbia NIS paid to the state budget for the last year RSD 1.4 billion, while the same figure a year earlier amounted to RSD 2.2 billion. The old legislation still applies to NIS in Serbia, which is why the company pays only three per cent for the mining royalties. The current Serbian law is applied to all other companies, which implies the rule of seven percent for the mining royalties. Therefore, NIS has a privileged position in Serbia.

Serbia has not raised the issue of laws application to NIS not even after Russia repeatedly announced abandoning the construction of South Stream Pipeline, which is one of the three projects on the basis of which old laws are applied to Petroleum Industry of Serbia regarding the mining royalties of three per cent.

NIS is forgiven billions of dinars, and in return the company exploits the natural resources of Serbia. If the current Serbian laws were applied to NIS, the company would pay the mining royalties to the budget in the amount of RSD 3.3 billion for the last year instead of RSD 1.4 billion.

VOICE sent questions to NIS regarding the mining royalties, but the company did not respond. Journalists asked for an interview with CEO of NIS, Mr. Kirill Kravchenko, but said to be put on a "long waiting list".

Answers were received from the Provincial Secretariat of energy, which on several occasions requested from the state the revision of agreement between Serbia and Russia, warning that NIS is paying too little for the exploitation of mineral resources in Serbia. However, all this happened during the mandate of previous Provincial Secretary. The New Provincial Secretary, Mr. Nenad Grbic was quite restrained.

He explained that the fee for the use of mineral resources, so-called mining royalties, is charged in accordance with the Law on Mining and Geological Explorations, which stipulates that total compensation for the oil and gas is calculated on the basis of revenues. "As total revenues in oil industry depend on the current price of oil on world markets, thus the total calculated compensation increases or decreases. Last year's reduction in payments for the mining royalties is a consequence of lower production and a decrease in oil prices in the world market during 2015, compared to 2014" the new Provincial Secretary explained in a written statement.

He said that the paid fee is sufficient bearing in mind that the reduction of paid funds incurred as a direct consequence of the oil price decrease on the world market and as a

reduction of the production volume, and that comparing to previous years the calculating methodology is same for years. "The methodology is such that it does not leave a lot of room to question whether this is enough" said Nenad Grbic.

When asked whether the agreement should be revised so that NIS could pay more money to the budget, Nenad Grbic said that such issue was not within the jurisdiction of the Provincial Secretariat for Energy, Construction and Transport. "Accordingly, the issue of the revision may be initiated only by the national Government," he said.

Did we understand each other?

Russian company Gazprom Neft owns the majority of Petroleum Industry of Serbia, owing 56.15 percent of the share capital. 29.87 % of NIS shares are held by the Republic of Serbia, while the rest belongs to small shareholders.

At the beginning of 2008, the Government of Serbia and the Government of the Russian Federation signed the Agreement on cooperation in the field of oil and gas industry, which defined the basic principles and procedures regarding the sale and purchase of NIS. The agreement states that, up to "achieving projects profitability", including the construction of South Stream Pipeline, the legislation that was valid on the date of signing the agreement would be applied to NIS, and this implied the mining royalties of 3 % and that in case of introduction of changes to Serbian legislation that lead to the deterioration of the company taxation conditions, it would not apply to it.

At the end of the same year the relevant Minister in the Government of Serbia and Gazprom Neft CEO signed the contract for the acquisition of NIS by the Russian company for EUR 400 million. Serbia sold to the Russians all NIS boreholes, geothermal resources and rights to exploitation.

On several occasions some political parties requested the revision of the agreement, when it became obvious that the South Stream project failed, so that NIS would start to operate in accordance with applicable laws of Serbia. However, this never happened.