

The former Montenegrin government has illegally extended the deadline for oil and gas exploration

In mid-February last year, the companies Eni Montenegro and Novatek Montenegro asked the Government to extend the deadline by one year. The consortium of offshore companies Eni Montenegro and Novatek Montenegro from the Netherlands, the previous government, contrary to the law, approved an extension of the deadline for the completion of the research, although it had all the conditions to collect a guarantee up to 85 million euros. The Concession Agreement for the production of hydrocarbons with ENI / Novatek was signed by the Government on September 14, 2016. It stipulates that the initial oil and gas exploration lasts four years, during which time they were to collect 3D seismic data, complete geophysical and geological studies, and complete two exploratory wells (Article 9, item 2 of the Agreement). In the event that the concessionaires do not fulfill these obligations, the Agreement stipulates that they are obliged to pay the State of Montenegro up to EUR 85 million from the guarantee they have submitted (Article 9, item 3 of the Agreement).

At the time of application, the concessionaires had only completed the first of the three items in the Mandatory Work Program, ie collected seismic data. At that moment, the preparation of the mentioned studies was still in progress, and the exploratory drilling had not even begun. One month after the address of the oil companies, on March 19, 2020, the Government of Duško Marković accepted their request, and instead of activating the guarantee, allowed them to extend the deadline by one year, ie until September 14, 2021. Accepting Eni / Novatek's reasoning, the previous government relied on Article 29 of the Law on Exploration and Production of Hydrocarbons, which stipulates that the deadline may be extended provided that "the concessionaire has not fulfilled its obligations under the work program due to technical problems during the exploration phase. anticipate, avoid or eliminate".

However, the reasons for the extension cited by the companies were not of a technical nature, and could have been avoided or remedied, had these companies not been late, violated the law and selected unreliable subcontractors.

In a document submitted to the Government, the concessionaires stated that the technical problems consisted in the lengthy process of obtaining approval for the Environmental Impact Assessment Study, due to the withdrawal of the subcontractor who was supposed to collect seismic data, as well as the incident on board. who performed geotechnical research. According to the documentation of the Environmental Protection Agency obtained by MANS, the prolongation in the preparation of the Study occurred because the omissions were made by the oil companies, and not by the state. The concessionaires were late in initiating the procedure, and then they submitted documentation that was not in accordance with the

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standards.

Namely, the oil companies submitted a request to determine the scope and content of the Study in March 2017, ie six months after the signing of the contract. The Environmental Protection Agency issued a decision within a month and gave them the requested instructions.

Five months later, the companies submit the studies, the Agency conducts a public hearing and after two months, in November 2017, it asks them to supplement that document, in order for it to be harmonized with Montenegrin laws. Three months later, the oil companies submit innovated studies, but again it does not meet the legally prescribed standards, so the Agency asks for a new amendment. Only after three months, the concessionaires finally submit the Study which the Agency accepts, and one month from the submission it makes a decision.

As for the justification of the request of the oil companies to extend the contracts because they terminated the cooperation with the subcontractors they chose, there is no reason for their choice of unreliable suppliers to fall on the state and to be treated as a technical problem.

Thus, the only technical problem pointed out by Eni / Novatek was the incident on board, but the Government did not determine whether it was due to a failure of the companies, or whether it could have been avoided.

Instead, Dusko Markovic's government unconditionally accepted the illegal demands of the oil companies and damaged the state budget by several million. After that, on May 14, 2020, Eni / Novatek requested an additional extension of the deadline for the completion of works due to the COVID crisis, which was also accepted by the Government, so the oil companies are obliged to complete the exploration wells by March 13, 2022.

Source: mans.co.me