

5th INTERNATIONAL ENERGY & OIL CONFERENCE
ENERGY IN THE 21st CENTURY
ON THE OCCASION OF CELEBRATING THE 45th ANNIVERSARY
UNDER THE AUSPICES OF THE PRESIDENT OF THE REPUBLIC OF CROATIA

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GODINA

5th JANAF'S INTERNATIONAL ENERGY & OIL CONFERENCE

JANAF Plc. celebrated its 45th anniversary and 40th year of its system operation by its traditional 5th International Energy & Oil Conference, entitled "Energy in the 21st Century", which was held in Zagreb on Tuesday, 3 December 2019, under the auspices of the President of the Republic of Croatia. The conference gathered over 200 national and foreign economic, energy and oil experts, as well as the representatives of the energy companies, the academic community, consulting firms and banking sector, and JANAF's business partners.

This year jubilee conference was opened by dr.sc. **Tomislav Ćorić**, envoy of the President of the Republic of Croatia and envoy of Croatian Prime Minister, Minister of Environment and Energy. The welcoming remarks were given by mr.sc. **Darko Horvat**, Minister of Economy, Entrepreneurship and Crafts, dr.sc. **Mario Banožić**, Minister of State Property, as well as by **Nikolay Petrovich Tokarev**, Chairman of the Management Board and President of Transneft and **Jaroslav Kocian**, Chairman of the Board of Directors of the International Association of Oil Transporters (IAOT), and also the Chairman of the Management Board of Czech MERO oil pipeline.



"In the past 45 years JANAF has been one of the key players on the energy market and its role, as well as the role of Plinacro in the field of gas infrastructure and transport, makes Croatia an energy secure country", said Minister, dr. sc. Ćorić, indicating that JANAF's role in the oil and energy sector has become stronger year by year, which is also shown by the company's results. He pointed out that Croatia in the energy strategy up to 2030 and 2050 respectively is headed towards the affirmation of the renewable energy sources. Nevertheless, the role of oil and gas will not be significantly diminished in the transition period.

"It is precisely the reason why Croatia needs to be made each day less and less energy dependent in the context of supply routes as well, and here JANAF plays an important role, yet also in the context of production, where we are rejoiced by the fact that Croatian production reserves will be increased in the next period as far as hydrocarbons are concerned", said Minister, dr.sc. Ćorić. He said that Croatia undertakes all measures and steps in order to prevent the supply disruptions to occur and that the goals are clear — importance of and strengthening the supply routes along with revitalisation of domestic production, yet also activation of new energy resources.

"The energy is a factor that will most influence the shaping of society in the 21st century, and thus the state reflections should be strategic, turned towards the future, along with respecting the market regularities. In the next quarter of the century, there will still be a need for the oil and gas in order for the global energy demand to be satisfied, although such growth will be accompanied by the growing share of the renewable energy sources. In the energy transition, the oil companies will be the ones to undergo a transformation into the energy companies, and they will include more and more the renewable energy sources into their portfolio", pointed out dr.sc. Tomislav Ćorić, Minister, at the end of his opening remarks.



In his welcoming remarks, dr.sc. **Dragan Kovačević**, Chairman of the JANAF Management Board, focused on the growth and development of JANAF over its past 45 years and thanked all those who, during the four decades of JANAF's operation, have woven their work, knowledge and experience in order for the company to grow and become an indispensable energy factor even beyond the borders of the European Union and this part of Europe. "By responsible management of the company, proactive actions on the crude oil and petroleum product market, export orientation and investments, we achieved continuous growth and remarkable business results. Moreover, such results would not be possible without continuously investing in our employees and creating a working atmosphere that guarantees safety to our employees, as well as work and life balance", pointed out dr.sc. Kovačević.



ENERGY IN THE 21st CENTURY

In his welcoming remarks at the conference, mr.sc. **Darko Horvat**, Minister, congratulated JANAF its 45th anniversary and 40th year of its system operation, highlighting the importance of such gatherings, as a place of exchanging opinions and experiences. Given the fact that the energy is an important segment of the Croatian economy, he pointed out that JANAF is a backbone of not only the energy, but of the entire economic system, having an important role in a new middle term investment cycle, and thus in the overall economic growth. He thinks that, if there is a crisis in Croatia, then it is a crisis of the management and poor business decisions, but in his opinion, "JANAF is precisely the proof that the companies in Croatia can be well managed, in a profitable manner and that they could be the key players in the region and beyond". Reflecting on JANAF's work, Minister, mr.sc. Horvat said: "JANAF is an important energy company in the Republic of Croatia, positioning itself as a crucial factor of the EU energy sector and, owing to its investment cycles, is a generator of the Croatian economy, ensuring, by its infrastructure, the stability and security of the crude oil and petroleum product supply."



By greeting those present at the conference, dr.sc. **Mario Banožić**, Minister, pointed out: "According to the analyses by the Ministry of State Property, JANAF is a highly liquid company, which, looking at the value of its assets and revenues that it realises, has a significant influence on the Croatian economy, achievement of the public goals, revenues of the state budget, as well as investments. The state, as its owner, within its powers, will continue to supervise the work and results of JANAF and to support the investments that will contribute to the further growth and development of the society. Therefore, as the owner's representatives, we welcome all further activities of the Management Board, Supervisory Board and General Meeting in the achievement of the stated goals."

In the conference introductory part, the congratulations to JANAF were also extended by **Nikolay Tokarev**, Chairman of the Management Board and President of Transneft and by **Jaroslav Kocian**, Chairman of the IAOT Board of Directors, welcoming JANAF's joining the International Association of Oil Transporters at the beginning of this year. The President of Transneft, Tokarev especially highlighted a major step forward in the JANAF oil pipeline system development, as well as progress in the cooperation between Transneft and JANAF in different areas.

The Chairman of the IAOT Board of Directors, Kocian pointed out that the association's main goal is the cooperation and development of the activities related to transport and storage of crude oil and petroleum products at the international, regional and national levels.

Dr.sc. **Dragan Kovačević** from JANAF in his presentation at the beginning of the conference sessions outlined the significance of the energy sector in the European economy, with special focus on Central and South Eastern Europe. He pointed out that, year by year, JANAF has been achieving record business results. In the last five years, he mentioned, the company has been one of the largest investors in Croatia, including both the public and private sector. **“Our investments exceeded HRK 2,5 billion, which resulted in a fact that we are one of the most efficient companies and an indicator that there is no difference between the state and private ownership, what is important is the management”**, said Kovačević, pointing out that the company has been reorganised, redesigned and turned into the company, which is not only the transport one, but a small oil company.

He further announced that in the coming period, JANAF will dedicate its efforts to the investment projects related to the security of petroleum product supply of the countries in the region, due to which a new investment cycle will need to be initiated. The priority activities, as Kovačević indicated, will be directed to further modernisation and digitalisation of the system, as well as enhancement of the energy efficiency.

Sandor Fasimon, President of the Management Board of INA, presented the strategic development directions of INA in the next period. He pointed out that, despite the challenging environment, INA has achieved the growth and development in several business segments – production of oil and gas, oil refining and retail network development – owing to significant investments. He expects a share of the renewables to rise in the total primary energy consumption in the years to come, yet also that the liquid fuels will have a significant role in the global energy mix for quite some time.

INA will continue to develop in its traditional activities, and awaits a strong step forward into the diversification of the business in the alternative fuels, production of electricity and geothermal energy, electric mobility, production of fertilizers and carbon capture and storage. It will be achieved through organic growth, yet also through takeovers of other companies and joint ventures.

Over the next five years, INA will invest HRK 17 billion, of which 25% would be invested in the Rijeka Refinery, about one billion kunas in the filling stations, and 10% in new businesses. In turn, INA expects from these new investments to obtain additional revenues of HRK 20 billion.

The participants in the first round table discussion, entitled **“Energy sector and oil companies – present and future”** were as follows: **Andrej Tučnin** (NIS), **Marino Velan** (Vitol), **Csaba Zsoter** (MOL), **Miha Kirn** (Petrol), **Dragan Letica** (INA), **Ivana Ivančić** (PPD) and **Bruno Šarić** (JANAF).

The round table participants discussed the current situation on the oil market, factors influencing the volatile oil prices, assessments of oil market trends in the next 10 and 30 years, the biggest challenges in businesses of their oil companies and the level of diversification in the renewable energy sources, petrochemical industry and electric mobility, achieved by their oil companies in the recent years.



Eugene Lindell from JBC Energy gave an extensive and detailed overview of turbulences and trends on the European oil and energy market. He emphasised that the global oil market is characterised by OPEC's reduction of the production and decreased supply of heavy crudes, which is compensated by the increased production of oil shale in the USA, while on the futures market the backwardation situation dominates (lower oil prices in the contracts with later maturity dates).

The refinery market is defined by an increase in the processing capacities by 1,5 million barrels per day (mostly in Asia), poor demand growth and transition according to the IMO rules in vessel traffic, while the petrochemical sector has just entered in a hyper-production phase. The demand peak is expected to occur before 2030 and thus the integrated oil companies should be oriented towards the operations optimisation, particularly in the supply and refining, in order to maximise the short term pricing signals, since in that way they can best improve their profitability.



The participants in the second round table discussion, entitled **"Energy transition and role of energy infrastructure"** were as follows: **Sergej Andronov** (Transneft), **Nebojša Lemajić** (Transnafta), **Ondrej Šmolik** (MERO), **Alessio Lilli** (TAL), **Marko Ćosić** (HEP), **Zoltan Aldott** (MOL) and **Vladislav Veselica** (JANAF).

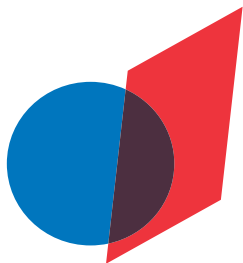
The discussions within the round table related to the current market position of oil pipeline companies and their perspectives, expected trends of the quantities transported by oil pipeline, experiences of the companies in the development of crude oil and petroleum product storage, possible changes in the oil import routes and final destinations on the European and Mediterranean markets, and adjustment of the companies to the climate enhancement policies and measures. The oil pipeline company of Transneft, which has the largest oil pipeline network in the world, is ready to increase oil deliveries to Europe, if there is such market interest in the EU, emphasised **Sergej Andronov**, Vice-President of Transneft.



He pointed out that the challenge for this part of oil sector lies in ensuring the stability and security of supply. The oil pipelines are maximally energy efficient, as indicated by the key experts from the sector, although investments into the development of new technologies and new standards still offer an opportunity for further enhancement.

The fifth JANAF's International Energy and Oil Conference was closed by **dr.sc. Dragan Kovačević**, Chairman of the JANAF Management Board, thanking all those present for their participation.





In the past 45 years, JANAF transported 240 million tons of crude oil and in the Port of Omišalj 3.070 tankers were (un)loaded without a single accident.

Dear Minister, dr.sc. **Tomislav Čorić**,

dear Minister, Mr. **Darko Horvat**,

dear Minister, Mr. **Mario Banožić**,

state secretaries, assistant minister and all government officials,

dear Parliament Members and all state officials,

dear presidents and representatives of the Management Boards of
the companies participating at the conference,

dear ambassadors and representatives of the diplomatic corps,

dear representatives of scientific and professional institutions,

dear media representatives,

dear conference participants,

I would like to welcome you all to this year conference, celebrating JANAF's 45th anniversary in both ceremonial and working atmosphere.

In my welcoming remarks, allow me to take a look back to JANAF's past and to reflect especially on its future.

45 years ago when the construction of the oil pipeline system with the terminals began, there were the times of enthusiasm and growth of both the oil sector and the petrochemical and chemical industry, but also of the construction of power plants, and a dynamic economic development in general. The oil consumption grew rapidly and reached 50 percent of the total energy consumption. The oil price amounted to USD 10 per barrel and the oil consumption was for 40 percent lower than today.

I would like to seize this opportunity to extend my special welcome to Croatian Prime Minister at that time and doyen of the Croatian management, former General Director of INA, Mr. Petar Fleković, who opened the works marking the commencement of the JANAF construction. The international consensus on the oil pipeline construction was of an extreme importance for today's seven states with nine refineries of the Central and South Eastern Europe: Croatia, Bosnia and Herzegovina, Serbia, Slovenia, Hungary, Slovakia and the Czech Republic. They agreed upon the most important parameters of the project, such as the capacities, routes, terminals and similar, and so the construction could start.

It lasted only four years and since then the company has been providing continuously to its users a reliable crude oil supply in terms of security and quality, mainly from the Omišalj direction, yet from the Družba oil pipeline as well, with a possibility of crude oil import from a numerous sources, namely the Middle East, Russia, Caspian region, Africa, the United States, etc. Over that period, 240 million tons of crude oil were transported, and 3.070 tankers were (un)loaded in the Port of Omišalj without a single accident. For foreign users, 60 percent of crude oil was transported

and JANAF realises 70 percent of its revenues by export. It confirms the international character and significance of the oil pipeline, as well as the company's export orientation.

In the recent years, after successful implementation of the diversification strategy of its business activities, JANAF (i.e. the Omišalj Terminal) became a respectable Mediterranean centre for storage of crude oil and petroleum products (Adriatic spot market), where major foreign companies are present (Glencore, BP, Vitol, Litasco and MOL), as well as the national companies and institutions (Croatian Hydrocarbon Agency, INA, Crodux, and others).

Although much talk is given today about transition, uncertainties and challenges for the energy sector, JANAF, like other companies, was faced, over the four previous decades, with numerous challenges and turbulences. Besides continuous price changes and decrease in the petroleum product consumption occurred in the last years, there were also the political crises on the Middle East and in the South Eastern and Central European countries that caused constant or temporary transport disruptions for certain users. Some of refineries are shut down or undergo a change in their business.

Regardless of all those circumstances, JANAF seized the opportunities, and grew and developed successfully, making many strategically important upgrades of its system.

The successful management of the company is also facilitated by applying the international standards for many years, namely related to the quality management system, environmental protection, energy management and others.

Moreover, by socially responsible business and numerous activities we want to show that JANAF is a Croatian economic entity, which contributes to the social welfare and the environmental protection, especially in the local communities where the Company operates.

We especially highlight the progress and achievements in the area of crude oil and petroleum product storage and trade, from which we obtain today 40 percent of the revenues. In the last six years, the capacities were more than doubled as concerns storage of crude oil and petroleum products.

In that six year period only, JANAF invested HRK 2,5 billion, including modern systems related to the security and protection of the environment, material goods and humans.

Dynamic and continuous investments have provided jobs for many local construction, metalworking and mechanical engineering, and other engineering and similar companies. Much credit for our company achievements also goes to them, as well as to all our customers. Owing to the storage development and to the growth of crude oil transport that

last year achieved the record quantities in the last 27 years, year by year JANAF's performance becomes better, with a constant growth of the revenues and the profit. At the same time, it is also an initiator of new investment wave that will mark the transition period of the company in the next middle-term period.

We have optimistic expectations that the EU policy on the energy supply security and the optimal use of the constructed facilities within the EU project of common interest (PCI), entitled the JANAF-Adria Pipelines (investors were MOL, Transpetrol and JANAF) will have a positive effect on the crude oil transportation growth. We expect to obtain the same effect from the implementation of the development strategy of our partners/buyers who modernise the refineries, who bought major oil fields and oil pipeline in the Caspian region, and who build petrochemical facilities. Altogether, it will increase their oil consumption, and the oil refining and demand for transport and storage respectively. Due to more stringent requirements regarding the environmental protection and security, our priority activities will be directed to further modernisation, especially the system digitalisation and improvement of the energy efficiency, as well as the use of renewables. In doing that, we will, as we have done so far, cooperate with both national and international professional associations. One of them is the International Association of Oil Transporters (IAOT), which we have recently joined, and for that I would like to thank Mr. Jaroslav Kocian, Association Chairman, and to extend my special thanks to our dear friend and partner, Mr. Nikolay Petrovich Tokarev, on whose initiative we were invited to join the Association.

Following and guided by the example of the largest oil companies, JANAF considers its further development also through new projects that will contribute to the realisation of the climate and energy goals and decarbonisation of the energy sector.

JANAF's success are reflected in a committed and efficacious work of our employees and strategic and development management of the Company. We have achieved all that in an excellent cooperation with our owners, customers, investment contractors, educational and scientific institutions.

I would like to seize this opportunity to thank you all, on behalf of the Management Board, and to invite you to further cooperation, agreement and realisation of new projects for mutual benefit.

I sincerely thank you for your coming to this year conference and I wish you a pleasant stay in Zagreb in its remarkable Christmas season atmosphere.

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dr. sc. Dragan Kovačević,
Chairman of the JANAF Management Board

Congratulations to JANAF on its 45th anniversary and its joining the International Association of Oil Transporters (IAOT), firm and stable bridge between Eastern and Western Europe

Dear

Mr. Minister Horvat,

Mr. Minister Ćorić,

Mr. President Tokarev,

Mr. Chairman Kovačević,

Dear all distinguished guests,

Thank you for the kind invitation and the opportunity to deliver an address on behalf of the International Association of Oil Transporters (IAOT). Please allow me, as a Chairman of the Association, to congratulate Jadranski naftovod (JANAF) for this remarkable 45th anniversary. It is indeed a special occasion to once again congratulate the company JANAF on becoming a new member of our Association at the Governing Board meeting held in Almaty, Kazakhstan on 25 September.

At the very beginning, please allow me to note basic information about our Association. The Association was established at the end of 2013 in Prague by the sole founder Czech company MERO. However, the actual work of the Association has begun only at the beginning of the year 2015 when, in the first wave, it was joined by Russian Transneft and Slovak Transpetrol.

In 2015, the Association was reinforced by JSC Gomeltransneft Druzhba from Belarus, MOL Group from Hungary, JSC KazTransOil from Kazakhstan and Caspian Pipeline Consortium from the Caspian Region. The Association was growing and was joined by the China National Petroleum Corporation (CNPC) in 2016, Ukrainian JSC Ukrtransnafta in 2017. And, finally this year, by Croatian JANAF Plc. Up until today, the Association has been forming, and with your support progressing, and has become a new reality.

The intensive cooperation among all Association members takes over the 5 years with leading an open dialogue, exchanging of strategic information and sharing of valuable experiences. I am pleased to see that all members of the Association are example of managing an oil pipeline system as a modern system of transportation and storage of crude oil and petroleum products.

The main aim of the Association is to actively and comprehensively develop the sphere of transportation and storage of oil and oil products at the international, regional and national levels. This involves, among others, monitoring of the whole industry, including the introduction of directives in this area, representing the interests of members of the organization in relations with key institutions and promoting a positive image of transportation and storage of oil and oil products.

The Association every year organizes two general meetings of the Management Board as a governing body, a so-called General Assembly. This General Assembly takes place in different countries hosted each time by one of its members. The first meeting was held in Moscow in 2015 and was followed by meetings in Bratislava, Budapest, Minsk, Astana, Prague, Beijing, Saint Petersburg and Almaty. It is indeed an impressive number of cities we have had the honour to visit and be hosted by members of our Association.

Apart from that, the Association runs 4 (four) very active permanent expert groups (PGS) – concretely energy efficiency group, supplies group, legal issues group and a newly established “efficient, reliable and safe operations of trunk pipelines” group focusing on maintenance and repair.

The PGS (groups) provide an excellent and timely opportunity to discuss issues of oil and oil products pipeline transport at different levels. It allows us to exchange experiences and best practices, and to carry out field visits to industrial facilities.

And that is not all. The Association has been likewise active in the public sphere. We participated at the exhibition in Hannover, together with our partner Argus Media Group we hosted an Argus Oil Pipeline Systems 2018 Conference in Prague and participated in the International Petroleum Exhibition (ADIPEC) in Abu Dhabi, as well as at the 14th Pipeline Technology Conference (PTC) in Berlin. And KazTransOil in cooperation with Association organized a competition entitled “Best in Profession.” This proves that together, united as an Association, we are much visible and our voices can be heard.

Ladies and Gentlemen, noting key developments and highlighting several activities, I would like to take this moment to share with you my thought on a likely “way ahead” for our Association in the 21st century. What kind of Association we want it to become/to be in the next upcoming decade?

There is no doubt that members of our Association operate in huge Euro-Asian region and China. I would like to express my sincere thanks and gratitude to all Association members for sharing the know-how on how to use innovative technologies to maintain our pipelines in the best condition with the aim to ensure transportation security in areas as environmental or cyber defence. And this new technologies help us to achieve energy savings as well.

The Office of Association is located in the heart of Europe – in beautiful Prague, and we must make and use a benefit of this strategic location. I strongly believe that in the years to come the Association will play even more important role as a strong, solid bridge between Eastern and Western Europe by being a transparent, reliable partner to all. And Croatia, as a member of the European Union, plays a very important role in the whole process.

It is also important to note that cooperation inside our Association will intensify its work in the area of using smart technologies that are environmentally friendly, sustainable and responsible. We cannot forget that our Earth is only borrowed to us from our children and we must hand it over to future generations in the best condition.

Ladies and Gentlemen, I wish you very fruitful discussions, sharing best practices and building new relationships.

**Dear Company JANAF,
welcome on board of our Association!**

Thank you for your attention.



Jaroslav Kocian,

*Chairman of the Board of Directors of the International Association of Oil Transporters (IAOT)
and Chairman of the MERO Management Board*



Nikolay Petrovich Tokarev,
Chairman of the Management Board and President of Transneft

Cooperation between Transneft and JANAF is actively realised on many areas, especially as concerns the exchange of experiences in the development of oil terminals

Dear Mr. Kovačević, dear friends and colleagues!

It is my great pleasure that I can welcome you, on behalf of Transneft, on this year JANAF's conference in Zagreb.

This year our meeting is held in especially ceremonial atmosphere since JANAF celebrates three important anniversaries – 45 years of the company establishment, 40 years ago the JANAF pipeline system became operational and 5 years ago the first international conference was held in Zagreb.

Certainly, it is not only about the time frames, but about actual achievements.

In its past, JANAF contributed a lot to the development of Croatia, as well as to the development of the entire European energy supply system. Yet, our Croatian colleagues do not stop here – JANAF continues to grow and develop with a clear business vision. In past few years, the company almost doubled its storage capacities for crude oil and petroleum products and plans a further development related to additional increase of its storage capacities.

We are truly happy for the successes of our partners.

The cooperation between Transneft and JANAF is actively developed on different areas.

I would like to seize this opportunity to thank the JANAF colleagues and particularly Mr. Kovačević on the cooperation and a friendly atmosphere during all our meetings and gatherings so far.

Transneft participates for the third time at the JANAF conference in Zagreb, and the exchange of experiences is also established at the professional level.

In October 2018 our experts paid a working visit to the Omišalj and Žitnjak Terminals, while the Croatian colleagues visited us two times this year – in May the JANAF delegation visited Černomortransneft, and recently, in November, they visited Diaskan.

I want to point out that for us an exchange of experiences with the JANAF colleagues is highly important, as regards the construction and maintenance of storage tanks, as well as other infrastructure on the oil terminals, having in mind that the company manages one of the largest European terminals – Omišalj. We really do have much to learn from each other and share.

JANAF celebrated its jubilee year with the event that we all waited for and that we support and welcome – this year in September, a meeting of the Governing Board of the International Association of Oil Transporters (IAOT) was held in Almaty, during which JANAF is admitted to the Association membership as observer.

Thus, our friendship and fruitful cooperation are raised to a higher level, opening up possibilities for realisation of joint projects and initiatives. Within IAOT, the activities are undertaken that contribute to the enhancement of the efficiency, security and reliability of the pipeline systems, through developing and applying the mechanisms that enable the improvement of coordination and cooperation in the work of the association.

I have no doubt that our further cooperation in all areas – within IAOT, and during our meetings in Zagreb, as well as through exchange of visits of our experts – will give the desired results.

I sincerely thank our JANAF partners, and especially you, Mr. Kovačević, for the hospitality and to all conference participants I wish a successful and fruitful work, in a pleasant collegial atmosphere.

Thank you for your attention!