

TRANSLATION

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Pursuant to Article 88 of the Constitution of the Republic of Croatia, herewith I pass the

DECISION ON PROMULGATION OF THE LAW ON OIL AND OIL DERIVATIVES MARKET

I promulgate the Law on Oil and Oil Derivatives Market passed by the Croatian Parliament on its session held on 19 July 2001.

Ref. No. 01-081-01-2395/2
Zagreb, 24 July 2001

President of the
Republic of Croatia
Stjepan Mesić (signed)

LAW ON OIL AND OIL DERIVATIVES MARKET

I. GENERAL PROVISIONS

Article 1

Energy activities: production of oil derivatives, transportation of oil by pipelines and other transportation means, transportation of oil derivatives via pipelines and other transportation means, wholesale of oil derivatives, retail of oil derivatives, storage of oil and oil derivatives, shall be carried out on the basis of free market principles.

Article 2

(1) The terms used in this Law shall have the meaning stipulated in the Energy Law.

(2) Other terms used in this Law shall have the following meaning:

1. oil – mix of hydrocarbons of natural origin,
2. oil derivatives – products obtained from oil (motor gasolines, diesel fuels, all types of heating oil, LPG, jet fuel, all types of fuels, bitumen and petrol coke),
3. negotiated third party access – a manner of access to transportation system whereby the owner or operator of the system and any third party seeking access

negotiate commercial terms and conditions of such access to transportation system,

4. storage of oil and oil derivatives – storage of oil and oil derivatives in a prescribed manner in special storage (terminals) for one’s own needs (producers, consumers), and/or for the purpose of trading and/or lease,
5. quality standards for oil derivatives – effective standards prescribed by relevant government bodies,
6. wholesale of oil derivatives – purchase of oil derivatives for further sale to retailers, industry, trading and professional users and institutions, or to other wholesalers and dealers, i.e. agents for sale of oil products to third parties,
7. retail of oil derivatives – purchase of oil derivatives for further sale to customers for their personal needs or for use in households and mediation in purchase or sale of oil derivatives to third persons.

II. PERFORMANCE OF ENERGY ACTIVITIES

Article 3

- (1) An energy operator must possess a licence for carrying out the following energy activities: construction and use of plants (facilities) for crude oil processing and manufacturing of liquid and gaseous products – oil derivatives; facilities (systems) for transportation of oil (oil pipelines) and transportation of oil derivatives (product lines), storage of oil and oil derivatives.
- (2) An energy operator must also possess a licence for carrying out energy activities such as use of facilities for transportation of oil by other means of transport, construction and use of accompanying storage for oil derivatives, construction and use of facilities and appliances for wholesale and retail of oil derivatives.
- (3) In addition to the terms and conditions prescribed by the Energy Law concerning the acquisition of licences for carrying out energy activities, energy operators must meet other technical and safety regulations, as well as special regulations related to environmental protection, for the construction, reconstruction and use of plants and facilities from points (1) and (2) of this Article.
- (4) The provisions of this Law do not apply to gathering transportation systems on production fields and oil storage systems on production fields.

Article 4

- (1) Energy operators authorised to carry out activities of oil transportation via oil pipelines and activities of transportation of oil derivatives via product lines shall be obliged to enable negotiated third party access, in an objective and transparent manner, to legal or natural persons who apply for access to such transportation systems and meet required technical conditions for access and connection to the systems in accordance with special

regulations. Negotiated third party access shall be based on the tariffs for transportation of oil and oil derivatives.

- (2) Tariffs for transportation of oil via oil pipelines and transportation of oil derivatives via product lines shall be passed by the Energy Regulatory Council on the proposal of the energy operator and shall be based on:
 - costs that will be calculated in line with internationally recognised practices;
 - negotiated economic and financial terms and conditions,
 - other recognised methods or combination of such methods.
- (3) Energy operators from point (1) of this Article may refuse access to any third party if there are technical constraints or constraints related to safety of operation or if there is no available capacity in existing oil or product pipelines.
- (4) Energy operators from point (1) of this Article may refuse access to legal and natural persons from States that are not signatories of the Energy Charter Agreement.
- (5) A party that has been refused access to the transportation system shall be provided a written decision on refusal with due explanation.
- (6) A party that has been refused access or who has objections to the terms and conditions of such access specified in the decision, may lodge an appeal to the Ministry.

Article 5

- (1) Energy operators that carry out activities: transportation of oil via pipelines and other transport means, transportation of oil derivatives via product lines and other transport means, may lease their storage capacities to other legal or natural persons for carrying activities.
- (2) Energy operators from point (1) above shall be obliged to keep separate accounts and indicate separately the accounts related to lease of storage capacities to other parties in their financial reports and consolidated reports.
- (3) A party that uses storage capacity pursuant to point (1) of this Article shall be obliged to keep operational stocks.

Article 6

- (1) Energy operators that carry out transportation of oil via pipelines and other transport means, and transportation of oil derivatives via product lines and other transport means, must indicate in notes to accounts and financial statements the data on leased assets and liabilities, as well as revenues and expenses.
- (2) Energy operators that carry out transportation of oil via pipelines and other transport means, and transportation of oil derivatives via product lines and other transport means, shall indicate any change in business that may appear in their related or associated companies in which the majority stockholder is the same person that holds majority stocks or interest in energy operator.

Article 7

- (1) Oil derivative prices shall be determined by taking into account maximum production costs and retail costs.
- (2) The Minister shall prescribe the manner in which prices of oil derivatives shall be determined.

Article 8

- (1) The Ministry shall care for, monitor and be responsible for secure, regular and quality supply of oil and oil derivatives.
- (2) In exceptional cases in respect to point (1) above, i.e. in case of disturbances on the domestic market due to unexpected or continual shortage of oil and oil derivatives, immediate threat to the sovereignty and integrity of the country, serious natural catastrophe or technological catastrophe, or an unexpected and very high rise in prices of oil and oil derivatives on international market, the Croatian Government may, in addition to measures foreseen by Energy Law, prescribe the following measures:
 - impose maximum speed limits on public roads
 - impose restrictions on the movement of motor vehicles or other vehicles using oil or oil derivatives as a fuel,
 - impose restrictions on motor vessel sails and flights of planes that use oil and oil derivatives as a fuel
 - impose restrictions on working hours of facilities for the supply of oil and oil derivatives or restrict the number of days when such facilities will be in operation,
 - impose control on consumption of oil and oil derivatives from statutory stocks,
 - impose control of prices for customers that carry out public services.

III. OPERATIONAL STOCKS

Article 9

- (1) The supplier of oil that is to be used for power generation or heat generation, entities engaged in production and processing of oil derivatives, and buyers of oil derivatives are obliged to ensure operational stocks in volumes equal to average 15-day needs in the previous year, provided in the previous year they used a minimum of 25 tons of oil or oil derivatives.
- (2) Operational stocks of oil and oil derivatives shall be ensured for the purpose of meeting the demand by citizens and industry, and for the purpose of processing, transportation and storage of oil and oil derivatives.
- (3) The Minister shall prescribe the manner and criteria for establishing, use and renewal of operational stocks of oil and oil derivatives.

IV. SUPERVISION

Article 10

- (1) The administrative control of implementation of this Law and regulations passed on the basis of this Law shall be carried out by the Ministry.
- (2) The inspection control of implementation of this Law shall be carried out by the State Inspectorate and other relevant inspectors pursuant to specific regulations.

V. SANCTIONS

Article 11

- (1) A cash fine ranging from HRK 10,000.00 to 50,000.00 shall be imposed on an energy operator that:
 - does not allow access to transportation systems pursuant to Article 4, points (1) and (4)),
 - does not keep accounts in compliance with provisions laid out in Article 5, point (2) or Article 6, points (1) and (2) hereof,
 - does not keep operational stocks in compliance with the provision laid in Article 9 hereof.
- (2) A cash fine ranging from HRK 5,000.00 to 10,000.00 shall be imposed on a responsible official of energy operator for the infringements laid out in point (1) of this Article.
- (3) In addition to the fine penalty, in case of several breaches or repeated infringements as laid out in point (1) of this Article within one year, the energy operator may be sanctioned by suspension from carrying out activities up to one year, and the responsible person may be barred from carrying out the same activities for the period up to one year.

VI. TRANSITIONAL AND FINAL PROVISIONS

Article 12

Energy operators are obliged to ensure 15-day operational stocks by 1 January 2003.

Article 13

Within 12 months from this Law coming into effect, energy operators carrying out transportation of oil via oil pipelines and transportation of oil derivatives via product lines shall prescribe technical conditions, to be approved by the Energy Regulatory Council, for access to transportation systems to legal and natural persons.

Article 14

The Croatian Government and the Minister shall pass regulations that are within their competency according to this Law within 6 months from the date of this Law coming into effect.

Article 15

This Law shall come into effect on the eighth day from its publication in "Narodne novine" and its implementation shall start from 1 January 2002.

Class: 310-05/01-01/01

Zagreb, 19 July 2001

CROATIAN PARLIAMENT

Chairman
of the Parliament

Zlatko Tomčić (signed)