

COUNTRY ANALYSIS BRIEFS

Balkans

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Background

The Balkans do not have significant oil or natural gas reserves. The countries of the Balkans region are neither major energy producers nor consumers. Although the region does hold some important fossil fuel deposits, these resources are not significant on a world scale, and the political and economic instability in the Balkans in recent years has discouraged any substantial foreign investment in the respective countries' energy sectors. Rather, the region is becoming more important as a transit center for [Russian](#) and [Caspian Sea region](#) oil exports to Western consumers. The region's leading transit projects are listed below.

Oil

All countries in the Balkans are net oil importers. The Balkans region has total proven oil reserves of approximately 345 million barrels, with 198 million barrels of that located in Albania. Croatia has proven reserves of 69 million barrels, while Serbia and Montenegro (ex-Yugoslavia) holds the remaining 78 million barrels. Although a number of companies are active in the region and exploration is picking up, especially in Albania and offshore areas in the Adriatic Sea, oil production in the Balkans remains low. In 2005, the entire region produced only 41,000 barrels per day (bbl/d). Croatia produced 28,000 bbl/d. Serbia and Montenegro produced 13,000 bbl/d.

As a result of this low level of production, each of the countries in the Balkans remains a net oil importer. EIA estimates that regional oil consumption in the Balkans in 2005 totaled 237,000 bbl/d, leaving the region dependent on imports for roughly 80% of its oil needs. The region is well supplied with oil via pipeline links with Russia and Greece, as well as port facilities on the Adriatic Sea.

Privatization efforts are continuing in each of the Balkan region's three oil producers, Albania, Croatia, and Serbia and Montenegro.

In September, 2003, Russia's LUKoil acquired 79.5 percent of Serbia's oil company, Beopetrol. In November 2003, Hungarian oil and gas firm MOL completed the purchase of a 25 percent+1 share in Croatia's oil company, INA. In September 2005, Croatia selected Merrill Lynch as its advisor in planning to sell an additional 15 percent of INA. In October 2005, Croatia approved the distribution of 7 percent of INA to war veterans, as called for in the Croatian law covering this privatization. This law also allocates 7 percent to INA employees. In 2003, Albania had announced privatization plans for the state-owned oil company, ARMO. Albania called for expressions of interest in purchasing shares in 2004 and several firms responded. The schedule for the potential sale of shares in ARMO is still unclear.

Natural Gas

Most Balkan natural gas imports come from Russia. Proven natural gas reserves in the Balkans region total approximately 2.7 trillion cubic feet (Tcf). Serbia and Montenegro, with 1.7 Tcf, holds roughly 60 percent of the region's total, while Croatia contains a further 1.0 Tcf and Albania has just 0.03 Tcf. In 2003, Croatia produced 70 Bcf of natural gas, while Serbia and Montenegro's (ex-Yugoslavia's) natural gas output was 20 Bcf. Albania, the only other natural gas producing country in the region, produced about 1 Bcf in 2003 to fulfill its domestic demand. Most of the region's natural gas imports come from Russia.

In April 2003, representatives from all of the Balkan Countries signed an agreement indicating their support for a proposed natural gas pipeline from Greece, through the Balkans and into Austria. The pipeline would be extension of an interconnection being considered between Turkey and Greece.

Pipelines

The Balkans is an important transit point for oil and natural gas from Russia and the Caspian Sea region. The **Albania-Macedonia-Bulgaria Oil Pipeline (AMBO)** project entails a proposed 570-mile, 750,000-bbl/d pipeline connecting the **Bulgarian** Black Sea port of Burgas with the Albanian Adriatic port of Vlore. This allows sea borne oil exports from Russia and the Caspian Sea region to flow overland between the Black Sea to the Adriatic, bypassing Turkey's increasingly congested Bosphorus and Dardanelles (see map). With oil exports from the Caspian Sea region projected to increase rapidly in the next decade, the AMBO pipeline proposal is one of several "Bosphorus bypass" oil pipeline proposals that are currently under consideration or in development.

A feasibility study for the AMBO project, funded by the U.S. government, was successfully completed in September 2002, with the Albanians approving the proposed route across their territory in December 2003. The project is estimated to cost \$1.2 billion, of which \$930 million would be provided by international donors, such as the World Bank, the European Bank for Reconstruction and Development, the International Monetary Fund, the U.S. Export-Import Bank and the U.S. Overseas Private Investment Corporation. The AMBO Pipeline Corporation, based in New York, has been established with exclusive rights to develop the project. In December 2004, government representatives of Bulgaria, Macedonia, and Albania signed a memorandum of understanding with the president of the AMBO Pipeline Corporation, confirming their support. If the project moves forward, construction would be expected to take three years.



Druzhba-Adria Integration

Reversal of the Adria pipeline, which extends between Croatia's port of Omisalj on the Adriatic Sea and Hungary (see map), has been under consideration since the 1990s. The pipeline, which was completed in 1974, was originally designed to load Middle Eastern oil at Omisalj, then pipe it northward to Yugoslavia and on to Hungary. However, given the Adria pipeline's existing interconnection with the Russian system, the pipeline's operators and transit states have since considered reversing the pipeline's flow, thus giving Russia a new export outlet on the Adriatic Sea.

Connecting the pipeline to Russia's Southern Druzhba system would entail the cooperation of six countries (Russia, Belarus, Ukraine, Slovakia, Hungary, and Croatia). In December 2002, these countries signed a preliminary agreement on the project. Since then, however, progress has been slow, as the transit states have wrangled over tariffs and environmental issues. Should the countries come to an agreement, some analysts expect that the Adria pipeline could transit roughly 100,000 bbl/d of Russian crude in the short term, with an ultimate capacity of approximately 300,000 bbl/d.

Constanta-Omisalj-Trieste Pipeline

Another pipeline proposal entails the development of a 760-mile line connecting the Romanian Black Sea Port of Constanta with the the Croatian Adriatic port of Omisalj, and later possibly on to the Italian city of Trieste. As conceived by the Romanians, the proposed pipeline (known as both the South-East European Line--SEEL, and the Contanta-Pancevo-Omisalj-Trieste pipeline--CPOT) would extend across Romania to the Serbian town of Pancevo (near Belgrade). From there, it would connect to an existing branch of the Adria pipeline, which runs across Serbia and Montenegro, Bosnia and Herzegovina, and Croatia to the port of Omisalj (see map). A technical and economic study of this plan was commissioned in October 2003. The plan envisages initial throughput of 480,000 bbl/d, and eventually up to 600,000-800,000 bbl/d when the connection to Trieste could be completed. An alternative route for

this project is a northern proposal, which would cross southern [Hungary](#) and central Slovenia instead of the Balkan states.

It is expected that whichever option is decided upon, the pipeline would be used mostly to provide oil to the countries along the route, and would incorporate existing connections between Constanta and regional refineries. However, given that petroleum demand in the countries along the two routes has exhibited little growth in the last ten years--particularly in Hungary, where demand has fallen by 21 percent since 1992--some observers are skeptical that refineries in the region really need a new oil supply pipeline.

Profiles

OIL	million barrels	thousand barrels per day		
	1/1/2006 PROVEN RESERVES	2005E PRODUCTION	2005E CONSUMPTION	2005E NET IMPORTS
Albania	198	0	25	25
Bosnia-Herzegovina	Not Available	0	Not Available	0
Croatia	69	28	94	66
Macedonia	Not Available	0	20	20
Serbia and Montenegro	77.5	13	98	85
Total	344.5	41	237	196
NATURAL GAS	trillion cubic feet	billion cubic feet per year		
	1/1/2006 PROVEN RESERVES	2003E PRODUCTION	2003E CONSUMPTION	2003E NET IMPORTS
Albania	0.03	1	1	0
Bosnia-Herzegovina	Not Available	0	6	6
Croatia	1	70	106	36
Macedonia	Not Available	0	0	0
Serbia and Montenegro	1.7	20	90	70
Total	2.73	91	203	112
COAL 2003	RECOVERABLE RESERVES	million short tons		
		PRODUCTION	CONSUMPTION	NET IMPORTS
Albania	875	0.08	0.10	0.02
Bosnia-Herzegovina	Not Available	9.00	9.00	0
Croatia	43	0	1.26	1.26
Macedonia	Not Available	8.29	8.51	0.22
Serbia and Montenegro	18,288	44.32	44.63	0.31
Total	19,206	61.69	63.50	1.81
ELECTRICITY 2003	gigawatts	billion kilowatthours		
	INSTALLED CAPACITY	GENERATION	CONSUMPTION	

2003	INSTALLED CAPACITY	GENERATION	CONSUMPTION
Albania	1.67	4.11	5.51
Bosnia-Herzegovina	4.34	10.51	8.85
Croatia	3.79	11.15	15.81
Macedonia	1.57	5.57	5.29
Serbia and Montenegro	9.64	36.04	36.62
Total	21.01	67.38	72.08

Links

EIA Links

[EIA: Country Information on Bosnia-Herzegovina](#)

[EIA: Country Information on Croatia](#)

[EIA: Country Information on Former Yugoslav Republic of Macedonia](#)

[EIA: Country Information on Slovenia](#)

[EIA: Country Information on Yugoslavia](#)

[EIA: Country Information on Albania](#)

U.S. Government

[U.S. Agency for International Development](#)

[U.S. Department of Commerce, Central and Eastern Europe Business Information Center \(CEEBC\)](#)

[U.S. Department of Commerce, Country Commercial Guides](#)

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General Information

[European Bank for Reconstruction and Development \(EBRD\)](#)

[Interstate Oil & Gas Transport to Europe \(INOGATE\)](#)

[Interfax News Agency](#)

[International Monetary Fund](#)

[International Atomic Energy Agency \(IAEA\) Power Reactor Information System](#)

[University of Texas - Russian and East European Network Information Center](#)

[Transitions Online](#)

[United Nations Framework Convention on Climate Change and the Kyoto Protocol](#)

[The Washington Post](#)

[World Bank](#)

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