

## Recent developments

### Croatia

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### Controversial topics of current interest

#### 1) Exploration and production of oil and gas in the Adriatic Sea

- Nearly no offshore exploration since the end of the 1980s; exploration and exploitation of hydrocarbons was regulated by the Mining Act, which regulates the exploration and exploitation of all types of minerals;
- Taking into account the specificity of procedures and a significant interest of investors in such projects, Croatian Parliament adopted the Act on exploration and exploitation of hydrocarbons in July 2013 (Official Gazette no. 94/2013), the Act was once amended (Official Gazette no. 14/2014).
- Approval of 2D seismic data surveys in the internal waters, territorial sea and continental shelf of the Republic of Croatia in the period from September 2013 to March 1, 2014 was given to the company Spectrum Geo Limited without public tender and without prior impact assessment pursuant to Habitats Directive (2D seismic surveys have negative effects on marine mammals).
- In February 2014, Croatian Parliament adopted the Act establishing the Hydrocarbons Agency. The Agency participates in all activities related to tender procedure and issuance of exploitation permits, monitors investors in fulfillment of their contractual obligations, controls investor's expenses, reports to the European Commission (see: <http://www.azu.hr/en-us/>).
- In April 2014, the country's first offshore licensing round was officially opened. Twenty nine exploration areas had been offered.
- At the beginning of January 2015, Croatian Government granted 10 licenses for exploration and exploitation of hydrocarbons in the Adriatic to five companies: Marathon Oil, OMV, ENI, MEDOILGAS and INA.
- The Production Sharing Agreement with the Government has not been signed yet.
- Public consultation regarding the strategic environmental impact assessment and the framework plan for the exploration and exploitation of hydrocarbons in the Adriatic Sea was held from January 16 to February 16, 2015 with the Ministry of Economy being in charge of the procedure.<sup>1</sup>
- Several Croatian environmental organizations organized a public campaign against the oil and gas drilling in the Adriatic (S.O.S. Adriatic, see: <http://soszajadran.hr/en/>).
- The Slovenian Ministry for Environment and Spatial Planning requested to be included in the strategic environmental impact assessment for the exploitation of hydrocarbons in the Adriatic Sea. Public consultation in Slovenia was held until April 16, 2015.
- 74 percent of citizens would prefer a referendum on the question of permission of oil and gas drilling in the Adriatic (source: Promocija Plus agency, April 2015). It is still

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<sup>1</sup> A Strategic Study of the Likely Significant Environmental Impact of the Framework Plan and Programme of Exploration and Production of Hydrocarbons in the Adriatic, [http://www.azu.hr/Portals/0/Dokumenti/A%20Strategic%20Study%20of%20the%20Likely%20Significant%20Environmental%20Impact%20of%20the%20Framework%20Plan%20and%20Programme\\_res.pdf](http://www.azu.hr/Portals/0/Dokumenti/A%20Strategic%20Study%20of%20the%20Likely%20Significant%20Environmental%20Impact%20of%20the%20Framework%20Plan%20and%20Programme_res.pdf)

uncertain will the Government organize a referendum on its own initiative (there have been some conflicting statements of the Prime Minister and Minister of Economy).

- From May 20 till June 20, 2015 a public consultation is being held regarding the strategic environmental impact assessment and the framework plan for onshore exploration and exploitation of hydrocarbons in Croatia.
- Currently, there is a process of interpellation before the Croatian Parliament – two groups of members of Parliament are asking the Government to explain its role in the implementation of relevant legislation regarding the exploitation of hydrocarbons in the Adriatic Sea. The members of Parliament have strong concerns regarding the validity of the procedure:
  - o crucial strategic documents have not been adopted yet although there is a legal obligation to prepare them (e.g. marine environment and coastal zone management strategy, mineral raw materials management strategy, spatial development strategy);
  - o poor quality of the Strategic Study concerning the exploration and production of hydrocarbons in the Adriatic; they also consider that Aarhus Convention was breached (e.g. the time-frame for public consultations was too short, full documentation was available only in Zagreb);
  - o licenses for exploration and exploitation of hydrocarbons were issued on January 2 without previously conducting strategic environmental impact assessment (public consultation was opened on January 16) and without transboundary consultations with neighboring countries.

## **2) Ombla hydropower plant**

Ombla is a short river, northeast of Dubrovnik. The Croatian electricity company HEP (Hrvatska elektroprivreda d.d. – HEP) plans to build a 68 MW underground hydropower plant at a site which has been designated for protection as part of the EU's Natura 2000 network. The environmental impact assessment was conducted in 1999.

In 2011 the European Bank for Reconstruction and Development approved an EUR 123 million loan for the construction of HPP Ombla.

In November 2011, Green Action – Friends of the Earth Croatia (a Croatian environmental association) filed formal complaints at the international level. The first set of complaints was addressed to the European Commission and the European Parliament. The obstacle here was that Croatia was still not a member of the EU at that time. Thus, any recommendations that the EU institutions gave to the Croatian institutions on this matter would not be legally binding. The second formal complaint was to the European Bank of Reconstruction and Development (EBRD). The complaint was based on the EBRD's Project Complaint Mechanism. The Mechanism is open to individuals and groups directly located or having interest in the area of an EBRD-financed project, as well as to civil society organizations. The EBRD decided to suspend the loan disbursement until the launch of a new biodiversity study for Ombla. The study that came out in March 2013 showed that there would be damage to biodiversity. On 27 May 2013, HEP announced that they agreed with EBRD to cancel the loan.

Momentarily, the assessments required under Article 6(3) of the Habitats Directive is being carried out. According to the opinion of the Croatian State Institute for Nature Protection significant negative impacts are possible on the population of bats, habitat types "caves and pits closed to the public" and the endemic fish species - popovska gaovica. Therefore, the Institute concluded that the planned project must be dismissed. However, the final decision will be issued by the Ministry of Environmental and Nature Protection.

Opinions of the Croatian State Institute for Nature Protection are not obligatory for the Ministry, but there must be strong reasons for not taking into account the experts' opinion.

### **3) Plomin coal power plant**

The Croatian electricity company HEP is planning to construct a new 500 MW unit at the Plomin power plant on the Istrian coast. The project, entitled 'Plomin C' is being presented as a reconstruction of the Plomin 1 unit, even though it has four times greater capacity than Plomin 1's 120 MW. Green Action – Friends of the Earth Croatia filed an action before the Administrative Court against the decision establishing that the intended project was environmentally acceptable and decision granting the environmental permit for construction and operation of the power plant. Their action was rejected by the Administrative Court at the end of 2013. They filed a constitutional complaint against this judgment before the Croatian Constitutional Court which has not been decided yet.

An advisory local referendum on the construction of a coal-fired thermal power plant at Plomin in Istria County was held on March 29, 2015. The question on the referendum was: "Are you in favor of the construction of the Plomin C coal-fired thermal power plant?" 94.2% of citizens voted against the construction of the power plant. However, in order for the local referendum to succeed a majority of registered voters must participate in the voting. The total turnout in this referendum was 38.79%.