

# Montenegro has implemented the best international practices in order to simultaneously develop tourism and production of hydrocarbons

Minister of Economy of Montenegro Vladimir Kavacic



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and power plants. The highway project commenced and we can expect to experience the effects in the following period. Also, it is well known that intensive activities are ongoing in the realisation of energy projects, such as the interconnection cable with Italy, along with all other activities and investments that are ongoing in our territory, including wind farms in two locations, small hydro-power plants... We are expecting to start explorations in the fields of oil and gas. Also, it has been projected that we could expect a stronger contribution from the tourism sector in the operational stage of newly constructed tourist facilities, and in the complementary sectors of trade and transport. We are expecting to get a positive contribution from the agriculture sector through reducing the import of food and the increasing of food exports.

**Caspian Energy (CE): Mr. Kavacic, which sectors of Montenegro's economy now ensure the highest growth rates of the domestic economy? How would you assess the investment potential of economy?**

**Vladimir Kavacic, Minister of Economy of Montenegro:** In 2015, Montenegro recorded the GDP growth of 4.03 percent. This was mostly due to the successful tourist season, the realisation tempo for

investment projects, and a favourable industrial growth. Therefore, the strengthening of macroeconomic stability will remain the focus of our Government's work. We have maintained a competitive tax environment and we have intensified credit support from the Investment and Development Fund. This growth trend should certainly be kept stable, most of all through the growth of investment activities and engagement of domestic potentials, primarily in the construction sector.

We shall aim to incite a strong contribution from the construction sector by including domestic companies in the construction of parts of the highway and new tourist facilities

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**CE: Montenegro uses the euro currency, but the country is not a part of the EU. What are the benefits and drawbacks of such situation in the financial market for the economy?**

**Vladimir Kavacic:** We believe that access to sound money is one of the basic preconditions for a favourable business environment. Since we are in Europe, the euro has been a logical choice, since it enables macroeconomic stability and a low level of transaction costs in the economic exchange with foreign countries.

**CE: In Montenegro there are al-**

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**most three tourists per one citizen per year. How did you achieve such a high figure? Is it possible to say that clean environment is the most important economic resource of Montenegro?**

**Vladimir Kavarić:** Of course, one of the key elements of our success in tourism is the beauty of Montenegro and its natural potentials. We are implementing strategic activities to guide our tourism, since this is a very important area for us. Concretely speaking, it is important to stress that we are satisfied with the progress of some of the key investments such as Porto Montenegro, the Luštica Bay tourist resort, and Portonovi. The activities to valorise the potential of the northern region have also been initiated.

**CE: To what extent does the planned development of fields in the sea shelf of Montenegro fit the tourism sector? What are the estimated reserves of hydrocarbons offshore Montenegro?**

**Vladimir Kavarić:** In the Adriatic, oil and gas have been explored and produced for more than 40 years. Currently, there are over 1500 exploration and production platforms. In the Italian part of the Adriatic, there are 1358 exploratory drills, and 133 in the Croatian part. In the Italian part, more than 110 production gas drills are active, and there are 38 active oil drills. In Croatia, there are no oil production platforms. In Croatia, there are 18 gas platforms, which are situated in the part of the Adriatic which is also an important tourist destination.

Greece is currently producing oil in Prinos Oil Field, off the island of Thasos. The platforms are situated between 8 and 18 km off the coast, in the part in which tourism is highly developed. In this area, oil industry and tourism have been functioning side by side for around 30 years. From the moment the production of oil

commenced, Greece has had record numbers of visitors each year.

Therefore, almost all countries in the Adriatic are participating in this process, while being tourist destinations. In this process, Montenegro has implemented the best international practices in order to simultaneously develop tourism, production of hydrocarbons, and other related activities.

With regard to the estimated reserves, the obligation of future concessionaires is to explore whether in our part of the Adriatic this resource could be exploited commercially.

**CE: How do you assess the results of the second meeting of the Southern Gas Corridor Advisory Council? What role will the SGC play in boosting the investment attractiveness of Montenegro's economy?**

**Vladimir Kavarić:** Access to gas, which is one of the cheapest and cleanest energy sources will certainly contribute to Montenegro's becoming an attractive investment destination and to a higher standard of living. The important thing for Montenegro is that at the last ministerial conference in Baku, the importance of our country in the realisation of the Ionian Adriatic Pipeline was recognised. It was also concluded that it would be very good if Montenegro would become the contact point for its implementation and to take over any coordination required for its realisation.

The Ministry of Economy intensified communication with the Ministry of Energy and Industry of Albania in order to establish a common approach to the implementation of the Ionian Adriatic Pipeline. That is why a common application for the design of the Main IAP Project for Montenegro and Albania was prepared. This application was submitted for a technical assistance grant from the Western Balkans Investment Framework.

I would like to remind that, as part of the Western Balkans Investment Framework, the Ministry of Economy received a grant in the amount of €550,000 to develop the Master Plan for the gasification of Montenegro. The Master Plan shall give an overview of the gas market in Montenegro, and the institutional measures that need to be implemented at the level of ministries and regulators in charge of this area.

**CE: What can you tell about the development of the alternative energy sector in the country?**

**Vladimir Kavarić:** Montenegro actively started to use renewable energy resources. Currently, the realisation of 21 contracts is ongoing for the construction of 41 small hydropower plants, with total installed power of 72 MW and the planned annual production of around 244 GWh. The expected income from domestic and foreign investment based on contracts signed is around 110 million euros.

The construction of the wind farm in the northern region, with installed power of 72 MW and the investment value of more than 140 million euros, shall be implemented by the international consortium of companies from Austria and France. The construction of the wind farm commenced on 7 May 2015, with a deadline of 18 months and a contracted investment of over 140 million euros.

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The project for the construction of the wind farm in the south, with installed power of 46 MW and contracted investment of around 65 million euros, shall be realised by "Enemalta plc" from Malta, which is majority owned by the Government of the Republic of Malta.

Therefore, Montenegro is very close to meeting its national goal of having 33 percent share of renewable energy sources in its total consumption, through the valorisation of water and wind potential. We are planning to use other potentials as well, such as solar energy, biofuel, etc.

All of these activities shall become even more attractive after the project of the interconnection undersea cable with Italy is completed, which will connect Balkan countries with the EU market.

**Thank you for the interview**