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US sanctions targeting Russian energy assets in Serbia

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The US sanctions targeting Russia's oil sector, introduced on 10 January, have also been extended to Serbia's largest energy company, NIS (for further details, see Appendix). The majority stake in NIS is held by Russian companies – Gazprom Neft (50%) and Gazprom (6.15%) – while 29.87% of the shares are owned by the Serbian government. Changes in ownership within the company are expected within 45 days, with the transaction to be finalised within an additional 10 days. The Croatian company JANAF has already announced that, if the restrictions take effect, it will cease transporting oil for NIS, despite a contract to deliver 10 million tonnes of crude over three years, valid until the end of 2026. US representatives in Belgrade, present when the sanctions were imposed, emphasised that the measures are not aimed at Serbia but at Russian entities that use oil revenues to finance the invasion of Ukraine. On 14 January, the Russian Ministry of Foreign Affairs urged the Serbian side to hold consultations regarding a potential buyout of Gazprom Neft's assets in NIS.

The stated aim of the sanctions is the complete removal of Russian companies from this key Serbian enterprise, which is expected to enhance Serbia's energy independence. The effect of the restrictions will depend on the resolve of the incoming Donald Trump administration to enforce them and to assist Belgrade in its negotiations with Moscow.

Commentary

- **NIS plays a major role in Serbia's energy security and the broader economy. Consequently, the Serbian government is committed to preventing any suspension of the company's operations.** President Aleksandar Vučić has been warning since mid-December 2024 about the risk of sanctions being imposed on NIS and has indicated that changes to its ownership structure are inevitable. Belgrade has indicated that several potential solutions are feasible, including transferring shares to other private entities, repurchasing them by the Serbian government, or the compulsory renationalisation of the company, which was sold to a Russian investor in 2008. The government has expressed a preference to avoid the latter scenario, and the future of NIS is expected to be a topic in discussions with both the United States and Russia. Vučić has claimed that the transaction would require approval from the US Office of Foreign Assets Control (OFAC). Serbian media have reported that Azerbaijan's SOCAR and the UK-based Shell have expressed interest in acquiring NIS. President Vučić has also announced plans to request an extension of the deadline for resolving the company's future. This could indicate that he aims to negotiate more favourable terms for Serbia regarding ownership changes with the incoming Trump administration or to secure a withdrawal or easing of the sanctions

imposed by Washington.

- **Although the media had speculated for three years about the possibility of the US and EU imposing sanctions on NIS, the company had not been directly targeted until recently.** In 2022, Gazprom acquired a 6.15% stake in NIS from its subsidiary, Gazprom Neft, enabling it to avoid EU sanctions that had been imposed on the latter. In October 2022, however, NIS was compelled to cease processing Russian oil due to additional EU restrictions that imposed an embargo on its delivery via sea routes (see '*Serbia: the forced abandonment of Russian oil*'). The majority (80–90%) of the crude oil for Serbia's sole refinery, located in Pančevo, is imported through the Croatian oil terminal in Omišalj and transported via the JANAF pipeline system.
- **The withdrawal of Gazprom and Gazprom Neft from NIS would considerably diminish Moscow's influence in Serbia and the Balkan region.** However, it remains **unclear** whether the incoming US administration will be **prepared** to enforce sanctions on the company and support the Serbian government in its efforts to exclude Russian entities and manage the fallout from a potential dispute with Russia. A possible shutdown of the refinery's operations could **result in issues** with fuel supplies. In the short term, companies **operating** in the Serbian market – such as Hungary's MOL, Austria's OMV (through its Romanian subsidiary), and Lukoil (via its Bulgarian subsidiary) – are unlikely to fully **satisfy** local demand.
- **The Kremlin is intensifying political pressure on the Serbian government.** Russian Foreign Minister Sergey Lavrov criticised Washington's actions and dismissed the possibility of nationalising the company's shares. The tone and substance of his remarks demonstrate Russia's determination to increase the costs for Serbia of severing business ties with its entities. It cannot be ruled out that Moscow will actively oppose the buyout of Gazprom Neft's assets in NIS, exerting pressure on Serbia during negotiations over gas supplies. Owing to delays in implementing supply route diversification projects, Serbia remains dependent on gas imports from Russia, with the current supply contract due to expire in March. It is also notable that Gazprom Neft is currently the most profitable segment of the Gazprom group, and any reduction in its international portfolio would adversely impact the financial performance of this state-controlled company.

Appendix. NIS – facts and figures

NIS (Naftna Industrija Srbije, Oil Industry of Serbia) is one of the largest vertically integrated energy companies in Southeast Europe, with an estimated stock market value of €1–1.3 billion. However, the Russian side, referencing Serbian government estimates, claims the company is valued at €4.4 billion. NIS is one of the most profitable companies in Serbia, generating revenues of €3.3 billion – equivalent to 4.5% of the country's GDP – with a net profit of €375 million (2023 figures). The company contributes approximately €2 billion annually to the Serbian state budget through taxes and fees.

NIS currently controls 80% of Serbia's domestic fuel market and 50% of retail sales through its network of 334 petrol stations operating under the NIS and Gazprom brands. It also operates petrol stations in neighbouring countries, with the largest presence in Bosnia and Herzegovina (BiH), where it holds 10.6% of the retail market and 22.3% of the fuel market. Additionally, it owns smaller assets in Romania and Bulgaria. Its refinery in Pančevo processes around 4–4.8 million tonnes of oil annually. NIS also fully controls oil and gas

production in Serbia and holds licences fto exploit reserves in Romania and BiH. Across the region, it employs 13,500 workers. In recent years, NIS has expanded and diversified its operations in Serbia. In 2021, it acquired the country's largest petrochemical company, HIP-Petrohemija. In 2022, it launched the TE-TO Pančevo gas-powered cogeneration plant (200 MW), built by China's Shanghai Electric Group, which additionally increased Serbia's demand for Russian gas. The company has also developed small-scale solar installations. Furthermore, NIS has a substantial budget for supporting social projects, which, in practice, promote a positive image of Russia, as well as significant marketing and advertising resources that influence the media sector. Its ability to offer well-paid jobs and award lucrative contracts also serves to build political and business influence.