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Fuel Quality Improvements Slow Down in South East Europe After Years of Progress

Stratas Advisors

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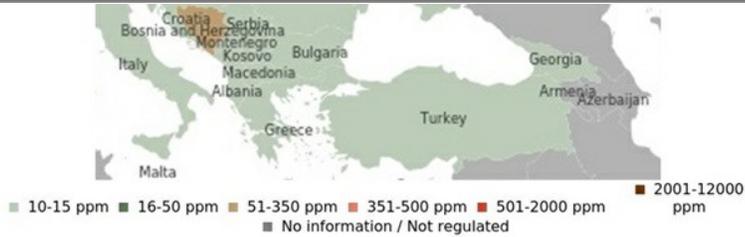
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The South East Europe (SEE) region consists of seven countries: Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, Serbia and Turkey. All of them, apart from Turkey, are still in the process of joining the European Union (EU). The disintegration of Yugoslavia and transition towards market economies three decades ago led to regional instabilities and economic stagnation in the SEE region, while these were further intensified by a decade of conflicts. Despite the complexities of the region's history and the aftermaths of the 2008 economic crisis, which hit the region hard, economic growth as well as some investment opportunities have marked recent developments in these countries. Nonetheless, the lag behind neighboring transition economies, mainly in the areas such as competitiveness, transparent governance and weak implementation of structural reforms, still persists. The COVID-19 pandemic took a toll on the economic growth of all the SEE countries, which, after initial recovery in 2021, are now confronted with rising inflation and fuel prices, as a consequence of the ongoing energy crisis and war in Ukraine. Due to widespread volatility, the economic outlook for the next few years is therefore uncertain.

In 2020, diesel fuel was the most consumed motor fuel in the region with the highest share in Montenegro (83.7%) and North Macedonia (79.5%) followed by Kosovo (78.4%), while gasoline was popular in Serbia (17.7%) and Kosovo (13.2%). The relatively low share of gasoline consumption in Albania and Turkey, accounting for 8.4% and 8.3% respectively, is explained by the higher share of LPG consumption, which accounted for 16.9% and 14% respectively. Turkey alone accounted for 88.4% of the total LPG consumed in the SEE region for 2020.

Except for Bosnia and Herzegovina, the majority of the SEE countries have introduced 10 ppm limits for sulfur in gasoline and diesel (see map below for diesel). In addition, most of them have transposed the latest version of the EN 589 standard for LPG limiting sulfur to 30 ppm, introduced by the European Committee for Standardization (CEN), the focus has shifted to enforcement of fuel quality monitoring systems, tightening vehicle emission requirements and gradual renewal of increasingly aging vehicle fleets, which in 2021 continued increasing to an average of 14.7 years.

Maximum Diesel Sulfur Limits in the SEE Region



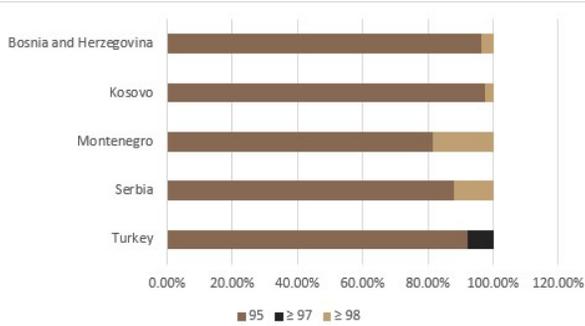
Countries may apply lower limits for different grades, regions/cities, or based on average content. Detailed information on limits and regulations can be found at www.stratasadvisors.com.

Source: *Stratas Advisors*

Octane Market Share

Similarly to the EU, RON 95 is the most widespread gasoline grade in the SEE region. Montenegro is the country with the highest share of premium gasoline fuels (RON \geq 98) accounting for 18% in 2019. The figure below shows the octane market shares for the SEE countries.

Octane Market Shares in Selected Countries of the SEE Region



Note: Data shown for Turkey is from 2020, Montenegro and Bosnia & Herzegovina from 2019, and Serbia and Kosovo from 2018.

Source: *Stratas Advisors based on the data from national statistical offices and relevant reports, 2022*

The full report updates the previous report published in 2020 (see Insights, [Aug. 25, 2020](#)).

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