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Erdölbevorratungsverband Körperschaft des Öffentlichen Rechts

Government Stockpiling

Strategies in the 21th Century

- The German Example –

Houston, November, 30th, 2004



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Three Different Approaches to Stockpiling

Industry Approach

- **stockpiling by law imposed on industry**
- **stocks and storage cost are financed by industry**
- **government controls industry performance and stock release**



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Three Different Approaches to Stockpiling

Government Approach

- **stocks owned and controlled by government**
- **financing out of national budget**
- **no involvement of oil industry**



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Three Different Approaches to Stockpiling

Agency Approach

- **independent agency for stockpiling**
- **own financing source**
- **controlled by members (oil industry) and government**



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History of Strategic Stockpiling in Germany

- **1966 introduction of compulsory stockholding in the Federal Republic of Germany**

**domestically refined products 65 days,
imported products 45 days**



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History of Strategic Stockpiling in Germany

- **1970 decision to build up a Federal crude oil reserve**

**total amount 7,3 Mio t
sold in 1998 ff**



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History of Strategic Stockpiling in Germany

- **1978 founding of EBV as an independent stockpiling agency to hold 65 days of compulsory stocks**
(additional 25 days by refining companies)
 - **1987 EBV stocks increased to 80 days**
(refining companies: 15 days)
 - **1998 EBV stocks increased to 90 days**
(obligations of refining companies ceased)



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The Membership Concept

- **Refiners and independent importers are compulsory (by law) members of EBV**
- **Members have to pay a fee to EBV based on their production or importation of oil products**
- **EBV calculates fee to cover all stockpiling cost**
- **Members in turn charge fee to final consumer, i.e. the final beneficiaries of the stockpiling**
- **Members entitled to participate in release of oil in proportion to fees paid**



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Current Fee Level

(as of 1.4.2003)

7,66 \$/t Cat I (gasoline*)

5,78 \$/t Cat II (gasoil, light heating oil, jet A-1)

5,13 \$/t Cat III (heavy heating oil)

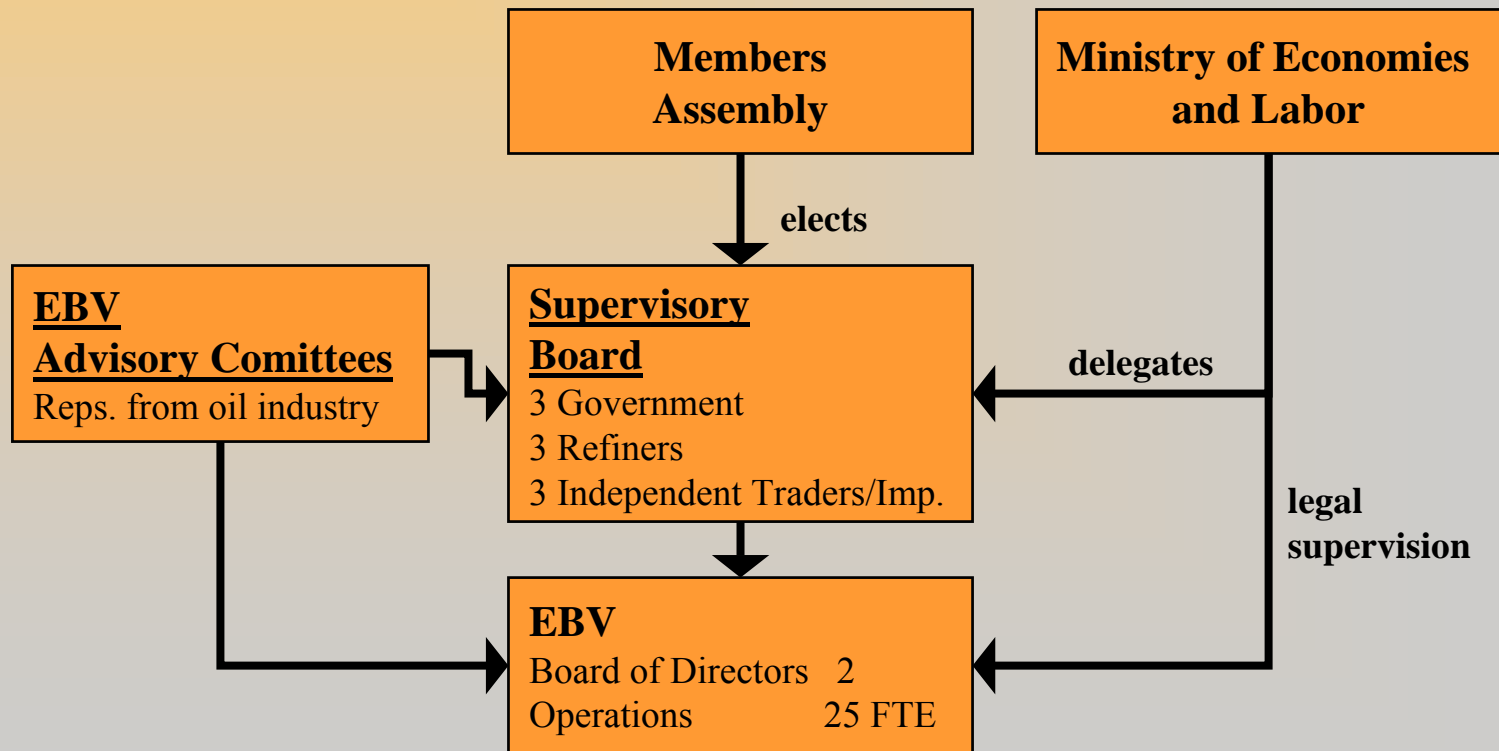
***) equals 0,5 €- cents per liter or 0,2 US - cents per gallon**



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The Membership Concept

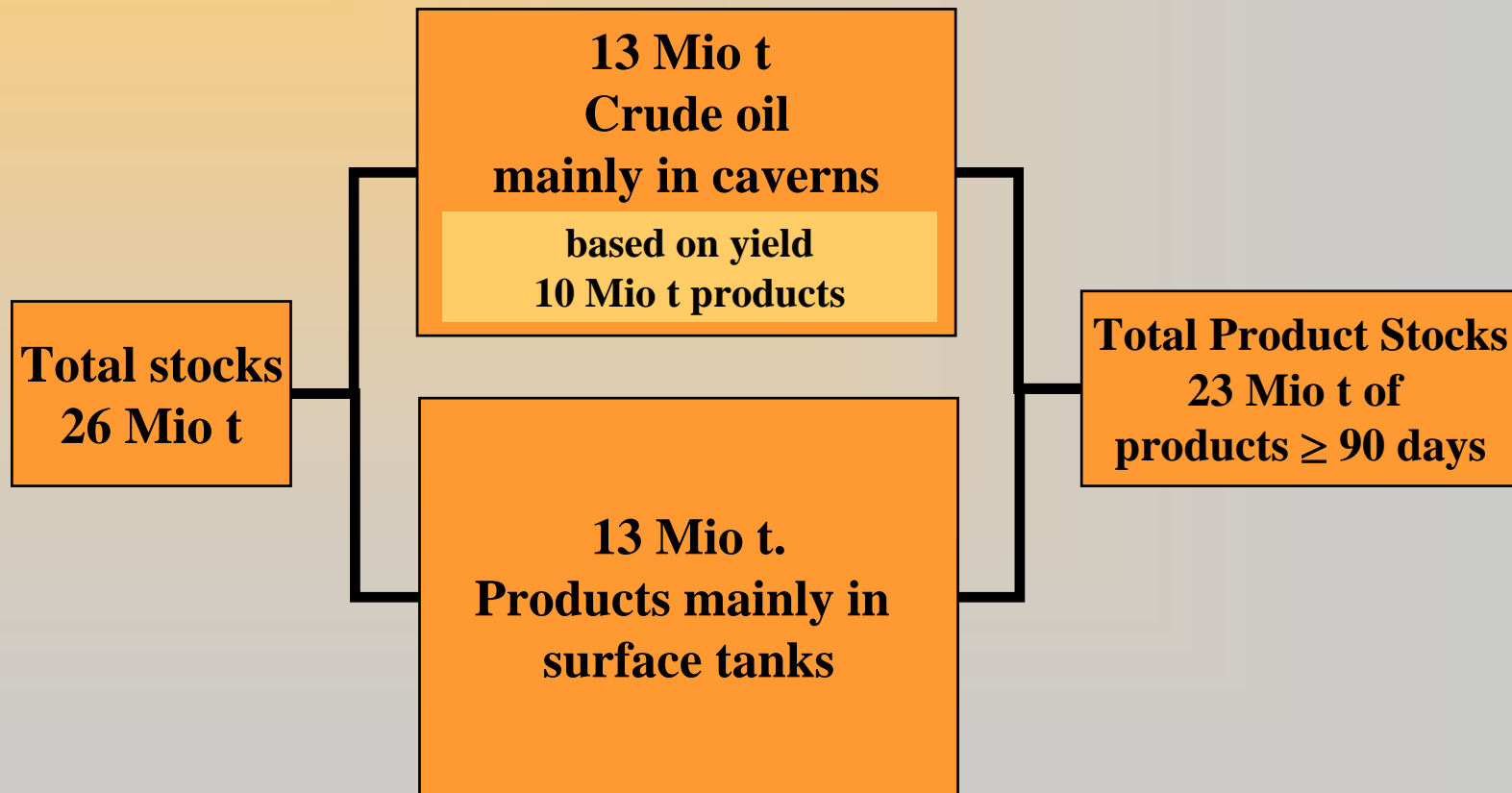
Organisation: reflects public and private interest in stockpiling





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Magnitude of Operations



EBV Operating Principles

Part 1



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- 1. At least 40% of stocks have to be products**
- 2. Products to be held fresh and in compliance with specifications**

Purpose: swift reaction in crisis with marketable products

EBV Operating Principles

Part 2



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3. Delegation contracts (tickets) only for products, max 10%

Purpose: high % of owned stocks for best control

4. Products to be stored in a regionally balanced way

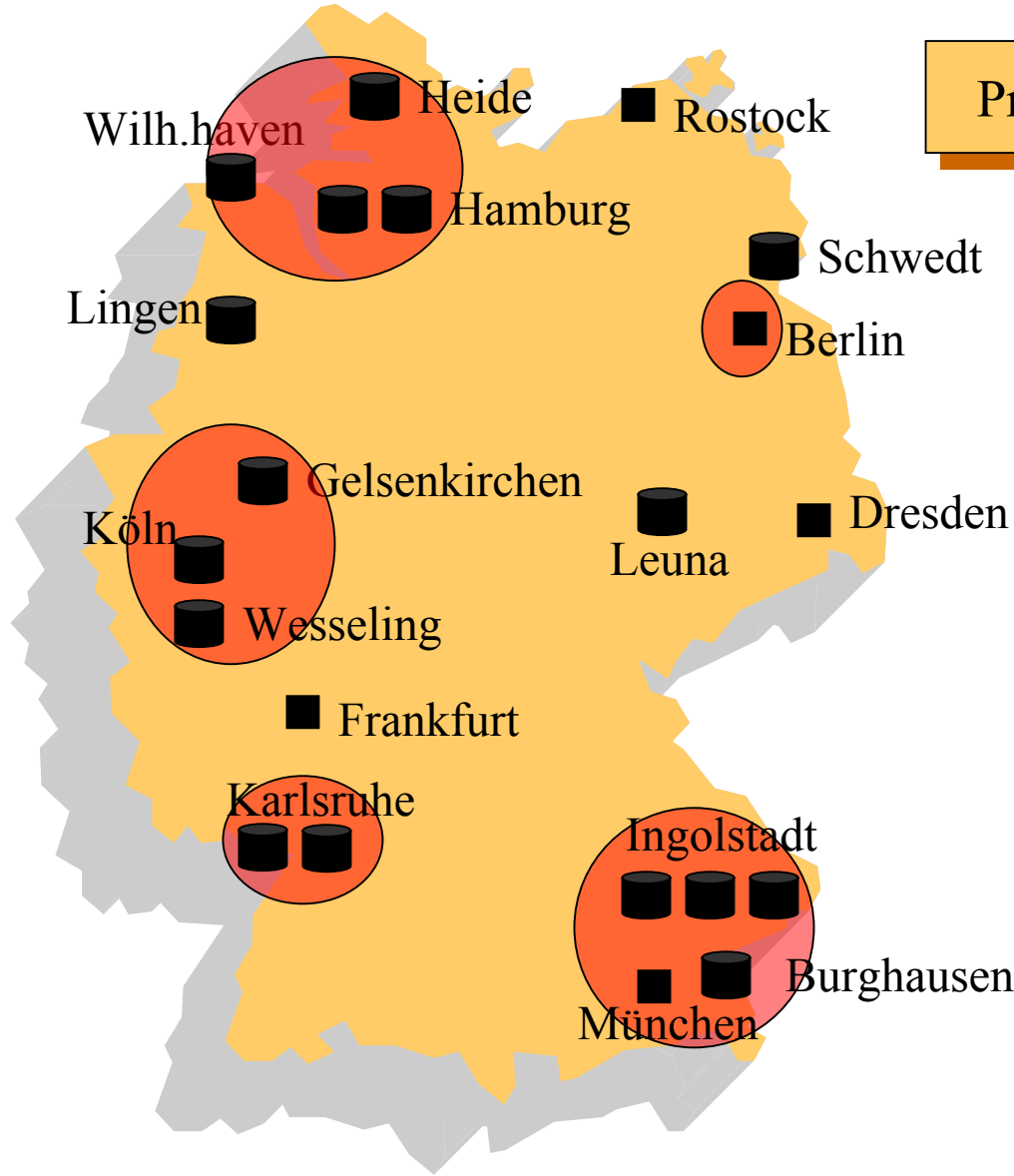
Purpose: close to markets, security



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Concentration on 5 Consumption Centers

Product stocks 13 Mio t



- North (Hamburg)
- West (Duisburg)
- South-West (Karlsruhe)
- South (Ingolstadt/Munich)
- East (Berlin)

EBV Operating Principles

Part 3



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- 5. Contract storage services from private sector, preferably commingled storage**

- 6. Act neutral in the relevant markets**
 - oil market
 - market for storage services (600 storage and delegation contracts, 180 partners, 1/3 of German storage capacity under contract by EBV)

EBV Operating Principles

Part 4



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7. Purchase of stocks financed by long term loans

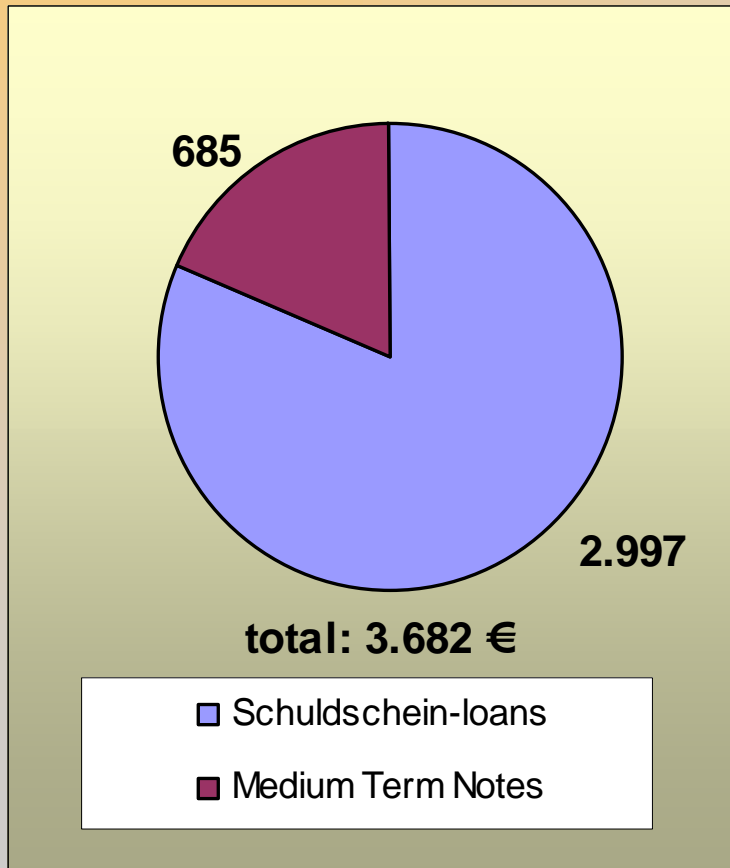
Annual cost for storage and delegations, interest and administrative covered by membership fees



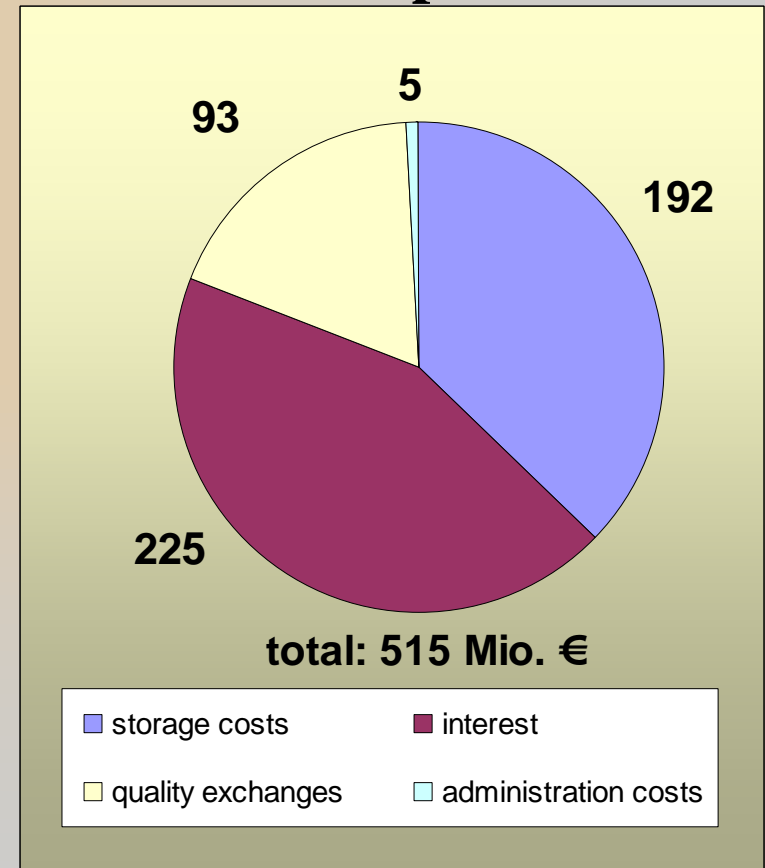
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Loans and annual Expenditures in Mio. EUR per 31.03.2004

Loans



Annual Expenditures





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The German Example: Summary

- **Independent Agency for stockholding**
- **Own financing source**
- **Cost being carried by oil consumer**
- **Imbedded into existing structure of oil industry**
- **Operating principles allow for swift crisis response**