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# **IEA Emergency Response Policies, Objectives and Coordinated Actions**

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# The 26 IEA Member Countries





# The Agreement on an International Energy Program (IEP)

- To maintain emergency oil reserves equivalent to at least 90 days of net oil imports;
- To have ready a programme of demand restraint measures equal to 7% and 10% of national oil consumption;
- To participate in oil allocation in a severe supply disruption through IEP emergency measures as a last resort.

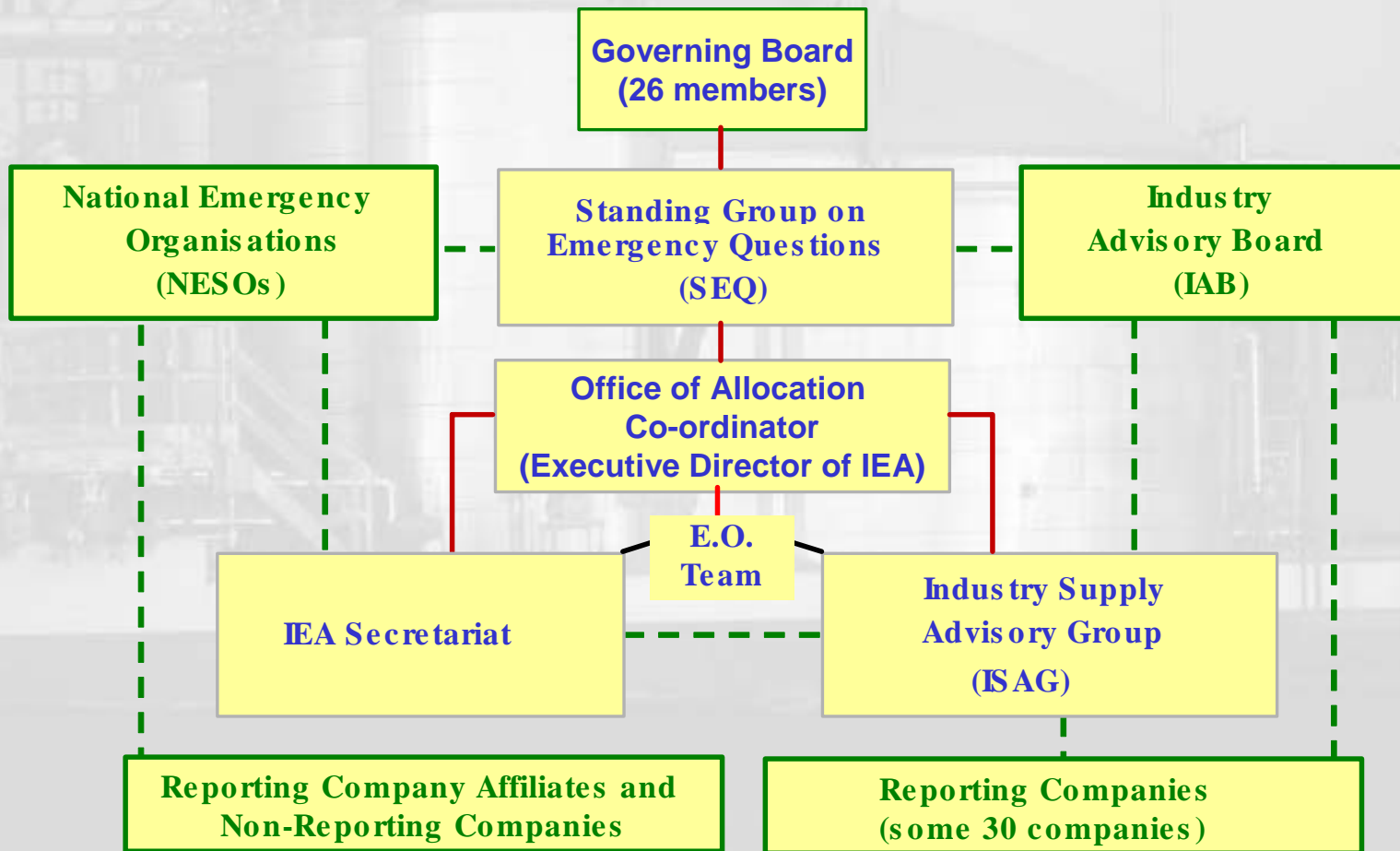


# IEA Emergency Response System

- Requirement for IEA Member countries to maintain oil stocks and effective plans to use them in IEA coordinated actions;
- Other national measures include demand restraint, fuel switching, and surge oil production;
- Operational National Emergency Organizations;
- Oil industry advice and operational assistance;
- System for re-allocation of available supplies, if necessary.



# Emergency Management Organisation





# IEA Standing Group on Emergency Questions

- One of five IEA standing groups and committees;
- Representative from each IEA member country;
- Maintains communication between the IEA and its members on matters of emergency policy;
- Reviews, tests, and updates the IEA's emergency measures;
- Co-ordinates the IEA's collective response to a supply emergency.



# Recent SEQ Activities

## Studies on

- Fuel-switching capacities
- Maximum drawdown capacities
- Minimum operating requirements
- Stocks held bi-laterally as tickets
- Demand restraint in the transport sector
- Impact of higher oil prices on world economy

## Reviews of IEA countries' emergency response policies

## Emergency Response Exercises for IEA and non-IEA countries



# Member Government Responsibilities

- Enactment of national legislation to ensure participation in IEA decisions and appropriate emergency measures;
- Set up a national emergency organisation to coordinate emergency operations;
- National supply information: Monthly Oil Statistics and emergency questionnaire;
- Interface with IEA emergency operations team in Paris;
- Interface with domestic oil industry.



# National Emergency Organisation

Established on stand-by basis in each participating country by Governments to:

- Co-ordinate emergency operations;
- Collect and submit emergency data;
- Implement national demand restraint measures;
- Organize national emergency oil sharing;
- Liaise with IEA Secretariat and IEA reporting companies and industry.



# IEA-Industry “Partnership”: Reporting Companies

- About 30 oil companies headquartered in IEA Member countries which cooperate directly with the IEA and with the Member countries where they operate
- During an emergency:
  - Advise the IEA
  - Supply data to the IEA
  - Take voluntary action to implement allocation



# Industry Advisory Board

- 16 of the reporting oil companies are represented at a senior level on an Industry Advisory Board
- Advises the Standing Group on Emergency Questions (SEQ) and the IEA Secretariat and attends SEQ meetings;
- Currently chaired by ExxonMobil;
- Working groups to investigate and advise on specific topics;
- The Industry Supply Advisory Group.

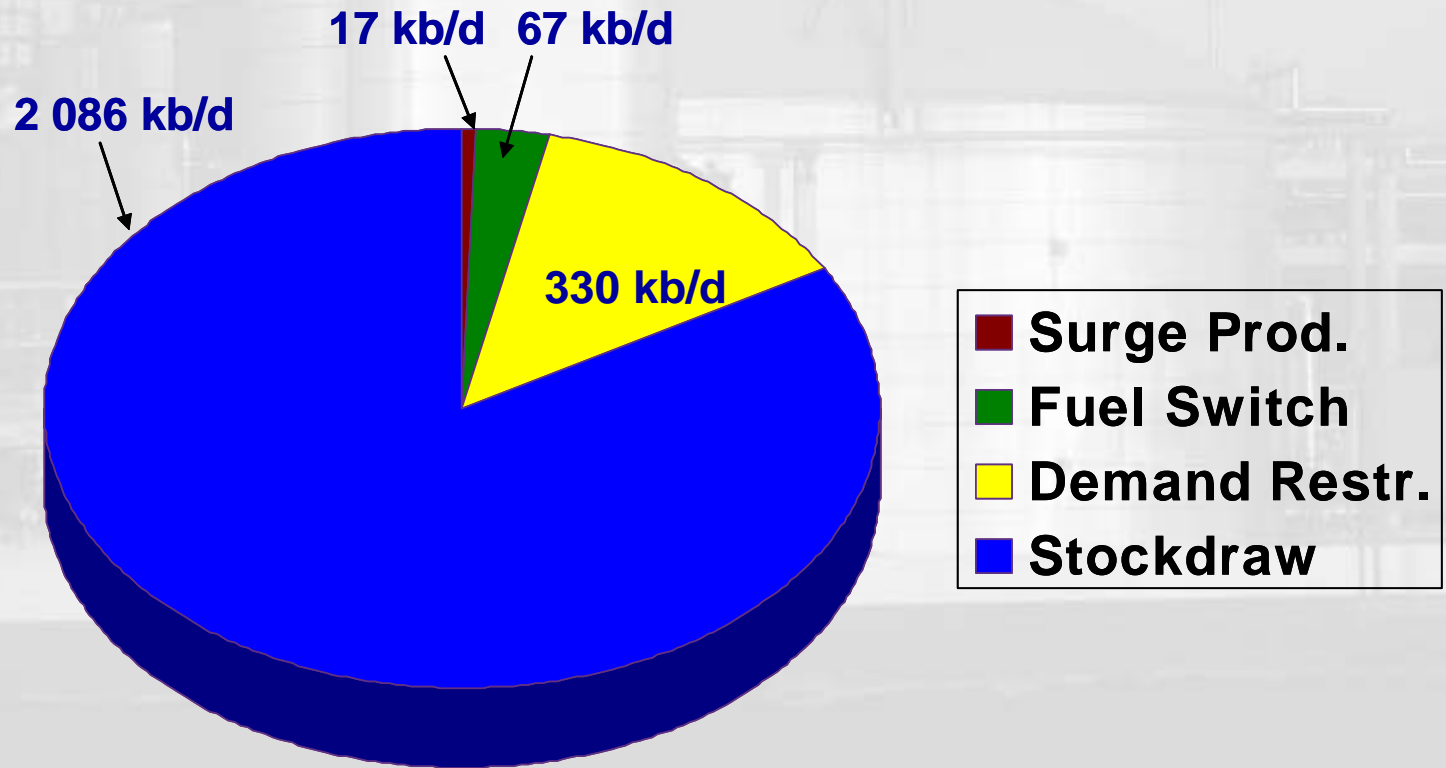


# Evolution of IEA Response Policy

- 1981 & 1984: Coordinated Emergency Response Measures (CERM) adopted.
- 1991: adoption and activation of Coordinated Contingency Plan on January 17, 1991.



# Composition of 1991 2.5 mb/d Contingency Plan





# Evolution of IEA Response Policy (continued)

- 1995: Governing Board decision: first consideration given to CERM process for co-ordination of stockdraw and other measures.
- 1999, 2001 and 2002: Adopted coordinated contingency plans tailored to the situations at hand.



# **CERM: A Framework for Rapid Decision Making**

- **Member countries engage in consultative process following IEA initial assessment of situation.**
- **all member countries would take action to help restore the supply / demand balance and that**
- **they can select any mix of stockdraw and other complementary actions.**
- **rapid implementation**



## 20th March 2003 - War in Iraq

- 24-hour IEA Emergency Operations Team
- High level contacts with major oil-producing countries
- IEA Executive Director press announcement
- IEA Member countries' clear willingness to use their strategic stocks, if necessary, was crucial to easing market tensions.



# Again, A Rocky Time For Oil Markets:

- Social tensions in Nigeria and Venezuela
- Conflict in Iraq
- Risk of terrorism
- High oil demand outside OECD
- Small spare production capacity

**Conclusion:** *Even a small supply disruption can have a strong impact on the market.*



# Key Components of Our Operations Strategy

- Continuous market assessments
- Permanent dialogue with Member countries and OPEC and non-OPEC producing countries and major consuming IEA non-Member countries
- Pro-active media strategy
- Effective, credible emergency preparedness and on-the-shelf plans



# Key to our Credibility

## Strategic Stocks and our ability to use them in a coordinated action

- As of 1st August 2004, total stocks in IEA countries were about 3.9 billion barrels.
- Net importing countries held equivalent of 114 days of net imports.
- With stocks held by net exporting members, average stock coverage rises to the equivalent of 150 days of net imports.



# Future Challenges For IEA Emergency Response

- Oil demand now predominately in the transport sector with limited scope for fuel switching.
- Bulk incremental oil supply will be met from the Persian Gulf
- Increasing vulnerability to terrorist attacks on oil infrastructures
- Rising consumption and import dependence
- Decreasing commercial stocks and lack of strategic stocks in non-IEA countries.



# Meeting the Challenges –

## Growing Importance for Cooperation with Non-IEA Countries

- **China/IEA Workshop on Stocks**  
*Paris 2001 and Beijing 2002*
- **ASEAN/IEA Workshop on Stocks**  
*Paris 2003, Cambodia 2004*
- **IEA Seminar on Stocks**  
*Berlin 2003*
- **India/IEA Workshop on Stocks**  
*New Delhi 2004*
- **Workshop for South East Europe**  
*Slovenia 2002 and 2004*
- **Selected Non-IEA Member Country Training and Disruption Simulation Exercise (part of ERE 3)**  
*Paris, 2004*



# The need to work together...

## Incremental Oil Demand by Sector 2002-2030

