

## Danish Compulsory Oil Stocks Association (FDO)

## Purpose of FDO

- To own and handle main part of the required oil stocks on behalf of the oil companies
- To be ready to deliver oil products to the market in case of a supply shortage

- Association of stock obligated oil companies
- The board of directors consist of oil company representatives (6 members)
- Financed by fees from members, related to their volume turnover
- Operation by an employed administrative and operational staff

# Stockholding Strategy

- Main part of stocks stored as finished products
- Smaller part stored as crude oil and feed stocks
- Very minor part (usually only Kat. 3) covered by stock holding tickets with oil companies


# Stock draw procedure

- (IEA decision)
- Authorization from Danish authorities
- Operations Committee will be initiated
  - Members from DEA, FDO admin., 2 FDO board members
- Delivery strategy in priority order
  - FDO: – pro rata release to members
  - FDO: - auction among members
  - FDO: - open auction (international)
  - (reduction of oil companies obligations)
- Price strategy
  - Platts related price formula will be set to reflect the price level i Denmark

# Hurricane Katrina

- 2 September IEA recommendation
- 5 September Meeting with DEA
- 6 September Operations committee meeting
  - Strategy decided (open auction)
- 7 September: Request for bids sent out
- 13 September due date for bids
- 14 September evaluation of bids – negotiations started, 2 contracts accepted
- 15 September last contract in place
- 19 September pumping started, last delivery was 5 October
- In total sold app. 36 000 m<sup>3</sup> gasoline (226 kb)

## Problems realized

- Existing procedures, which are also part of the Articles of the FDO, did not give possibility to go directly to the market.
  - Operational Committee decided to bypass the procedure and go directly in the market
  - Articles of FDO were changed at a general assembly in June 2006 and finally approved by Danish Energy Authority in August 2006.
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- Delivery strategy can e.g be the following
  - FDO: – pro rata release to members
  - FDO: - auction among members
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- △ Protected storage
- Above ground tanks

NEPS pipeline

FDO Pipeline

