

Petrostocks 2007 New Perspectives

***EU stockholding legislation and ticketing
- ideas for revision***

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The recent EU oil supply disruption (1)

- **On the morning of Monday 8 January 2007 the Druzbha oil pipeline stopped pumping due to a dispute between Russia and Belarus over export duties**
- **Russian oil makes up about 30% of EU imports and 25% of consumption**
- **Almost half of this ships through the Druzbha pipeline**





The recent EU oil supply disruption (2)

- **The northern branch of the pipeline (capacity 1mb/d) passes through Poland and terminates in Germany**
- **The southern branch (capacity 400 kb/d) passes through Ukraine, Slovakia, Hungary and the Czech Republic before also ending in Germany**
- **Total crude imports affected are 20% in Germany, 50% in the Czech Republic and more than 95% in Hungary, Poland and Slovakia**





The recent EU oil supply disruption (3)

- **Pumping of supplies through the pipeline resumed on Thursday 11 January 2007**

 - **During the week, the EU Commission, the German Presidency and the IEA increased political pressure on Russia and Belarus for supply resumption through:**
 - **public statements**
 - **direct contacts**
 - **written exchanges**
 - **a press conference**
 - **a meeting of the EU Oil Supply Group**
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The recent EU oil supply disruption (4)

- **The disruption lasted less than four days**
 - **The magnitude of the disruption was not sufficient to impact the global oil market**
 - **At the beginning of 2007 markets were well supplied with oil as winter temperatures had been extremely warm, and market fundamentals showed no bullish signs**
 - **But what if supplies and temperatures had been low and markets had not been bearish?**
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Lack of an effective EU decision-making mechanism

- During a supply disruption, the Commission's role is effectively limited to consultation
- The IEA takes the lead in formulating the response to supply disruptions, although some Member States are not currently members of IEA
- The IEA may not act in regional supply disruption (while in the US, SPR have been used several times)

Possible proposal:

- A new formal instrument for external energy crises
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Why change the EU legislation?

- **To adapt to changing markets and new challenges which could not be foreseen 30 years ago**
- **To provide a clear strategy addressing the regional need for EU emergency rules**
- **To facilitate closer cooperation with the IEA through alignment of rules and objectives in order to improve the response to global supply disruptions**





EU Emergency System

Seeking complementarities with IEA

- **EU coordination mechanism - key features**
 - **Higher efficiency, transparency and fairness**
 - **Increased credibility and hence utility and effectiveness**
 - **Complementarities with the IEA**
 - **Solidarity of purpose**
 - **Consumption-based stockholding**
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