



(c) FreeFoto.com

Directorate-General
for Energy
and Transport



EUROPEAN
COMMISSION

- **European Commission and International Energy Agency Strategic Stock Alignment**

Petrostocks 2009

Klaus-Dietmar Jacoby END
European Commission

Outline of the presentation

- Introduction
- Key elements of the proposal
- Selected issues
- Next steps

Introduction

- European legislation implies legal power over Member States not complying with their obligations. This can start with an infringement procedure by the Commission and end with a court decision against the Member State. IEA has no similar power.
- Existing EU legislation on oil emergency stocks has been mainly created 40 years ago – before the IEA had been founded in 1974



Reasons to change the EU legislation (1)

- Better adaptation to market changes and increasing risks of supply disruptions
 - » Increasing import dependency
 - » Concentration of reserves and production in regions with geopolitical risks
 - » Vulnerable maritime and pipeline routes
 - » Global supply may not be sufficient to meet rising demand in the future
 - » Potential disruptions in transit and consuming countries



Reasons to change the EU legislation (2)

- Better adaptation to EU institutional changes mainly due to the increasing number of Member States from 6 to 27
- Already in 2001 the Commission proposed an oil stock directive which included e.g. an increase of the stock obligation to 120 days and a possibility to use stocks for market management
- After long-lasting debates with the Council and the Parliament, the Commission withdrew this proposal in 2005

EU Member States

Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom

Candidate countries:
Croatia, Macedonia, Turkey



Work Plan for the Revision of the Stock Legislation

- The March 2007 European Council called for reviewing oil stocks rules
- Impact assessment developed in 2007
- Consultation document in April 2008
- Public consultation in April – June 2008
- Legislative proposal in late 2008

● Key elements and goals of the proposal

- Approximation to the IEA system
- Improving stock availability
 - » “improving ... oil stock mechanisms, complementary to the IEA crisis mechanism, especially with respect to availability in the event of a crisis” (March 2007 European Council Conclusions)
- Improving transparency
 - » “increase the transparency of the oil markets, including as regards oil stocks” (June 2008 European Council conclusions)
- Simplification

● These goals are asking e.g.

- not to align or simply copy the IEA system but
- to assure emergency response policies in a complementary way and not in competition with the IEA
- to improve emergency preparedness and the stock availability in Europe where necessary by streamlining and strengthening existing practices
- to assure, together with Member States, best practices for emergency purposes

● EU vs. IEA Emergency Stocks

- The IEA system
 - » Based on net imports of oil and oil products (excl. naphtha)
 - » Product stocks are converted into crude oil equivalent
 - » Stock reduced by 10% to take account of unavailable stocks
 - » Monthly reporting and quarterly assessment
 - » Until recently, compliance was confidential

● EU vs. IEA Emergency Stocks

- The EU system
 - » Based on the consumption of 3 product groups
 - » Max. 25% reduction for producers
 - » Crude oil is recalculated to product equivalent
 - » Monthly reporting and assessment
 - » Stock levels are published
 - » Infringement procedure in case of non-compliance



Proposed Changes (1)

- To bring the 90-day obligation closer to IEA practices
 - » a switch to IEA calculation based on net imports
 - » including the 10% deduction
 - » Including treatment for biofuels
- To retain the obligation for oil producing countries
 - » not less than 70 days of internal consumption
- To strengthen government control for part of the stocks
 - » specific rules to hold at least part of the obligation
 - not to be commingled with commercial stocks
 - not to be moved without government consent
 - in the form of product stocks

Proposed Changes (2)

- To reinforce verification and control by
 - » Enhancing greatly the role of central bodies
 - » Allowing the pursuit of audits and country reviews
- Coherent emergency procedures
 - » the Commission to coordinate the actions of Member States (both IEA and non-IEA) in an IEA action
 - » an enhanced role for the Oil Supply Group: not only consultation but also discussion and management of crisis situations
- To improve reporting and data availability through
 - » MOS data

● Proposed changes (3)

- To introduce weekly oil stock reporting in Europe similar to practices in the US and Japan
 - » based on a ministerial decision in June 2008
 - » but not before carrying out an impact assessment on the basis of a cost benefit study which is underway

The proposal

- Proposal for a Council Directive imposing an obligation on Member States to maintain minimum stocks of crude oil and/or petroleum products
- Commission reference: COM(2008) 775 final
- Interinstitutional reference: 2008/0220 (CNS)
- Council reference: 15910/08
- Adopted by the Commission on 13 November 2008

Legal base

- Article 100 of the Treaty establishing the European Community:

“Without prejudice to any other procedures provided for in this Treaty, **the Council, acting by a qualified majority on a proposal from the Commission**, may decide upon the measures appropriate to the economic situation, in particular if severe difficulties arise in the supply of certain products.”

● **Selected issues: Increasing stock availability**

- Clarification of the provisions on the availability of emergency stocks (Article 5)
 - » not to be pledged or encumbered in another way
 - » separate accounts for physically mixed stocks
- Reinforced verification (Article 19)
 - » possibility of audits and spot checks
 - » to be carried out by or on behalf of the Commission
 - » access to documents and storage facilities

Selected issues: Specific/Dedicated stocks

- Underlining preference for public (government/agency) stocks held in the form of products (Article 9)
 - » Though only an option for the moment:
Member States can decide to hold x days of stocks of selected products covering min. 80% of consumption
 - » Member States retain flexibility
 - » However, Member States not opting for specific/dedicated stocks to report annually on the measures taken to ensure stock availability (Article 6)
 - » 3-year review clause (Article 23)

Selected issues: Emergency procedures

- Clarification of the procedures for emergency situations (Article 21)
 - » Coordination Group set up to facilitate the coordination and implementation of measures (Article 18)
 - » Commission is to authorize stock release
 - » In case of an IEA action
 - IEA members are explicitly allowed to use their stocks and go below 90 days
 - the Commission can require Member States to release stocks after a meeting of the Coordination Group
 - » This enables the EU to contribute better to an IEA action

● Selected issues: Central stockholding entity (Article 7)

- Set up by Member States
 - » As a non-profit making body or service
 - » Exclusivity for acquisition, maintaining and selling of specific/dedicated stocks
- Must be set up if the Member State impose an obligation on economic operators

Roles of the central stockholding entity/ delegation of the obligation

- Economic operators can delegate their obligation to a central stockholding entity (Article 8)
 - » Objective: to facilitate the compliance of companies with insufficient storage capacity
- Can make arrangements with economic operators for them to undertake tasks relating to the management of oil stocks (Article 7)

● Reporting (1)

- Weekly reporting (by comitology decision)
 - » Commercial stocks (Article 15)
- Monthly reporting
 - » Emergency stocks - within 45 days (Article 13)
 - » Specific/dedicated stocks - within 1 month (Article 14)
- Annual reporting
 - » Copy of register incl. location, owner and nature of stocks - within 30 days (Article 6)
 - » Report on measures taken to ensure stock availability – Member States without specific/dedicated stocks, within 3 months (Article 6)

Reporting (2)

Monthly reporting

- » The ultimate aim is to reduce reporting burden by using the MOS questionnaire
- » Reporting the MOS is now a legal obligation based on

Regulation 1099/2008 of the European Parliament and of the Council on energy statistics
OJ L304, 14.11.2008, p. 1–62

Reporting (3)

- Monthly reporting
 - » However, MOS is to be updated
 - To reflect the new directive
 - To remove any deficiencies
 - » According to the Energy Statistics Regulation, the data to be reported and the arrangements for the transmission may be modified by comitology
 - » The proposal also facilitates the amendment of the scope, content, the frequency and the deadline of reporting's by comitology

Next steps

- To be adopted by the Council by qualified majority voting
- The Commission recommended to consult
 - » the European Parliament
 - » the European Economic and Social Committee
 - » the European Data Protection Supervisor
- To be transposed into national legislation within 2 years after adoption

Abrogations

- New directive is to replace
 - » Council Directive 2006/67/EC imposing an obligation on Member States to maintain minimum stocks of crude oil and/or petroleum products
 - » Council Directive 73/238/EEC on measures to mitigate the effects of difficulties in the supply of crude oil and petroleum products
 - » Council Decision 68/416/EEC on the conclusion and implementation of individual agreements between Governments relating to the obligation of Member States to maintain minimum stocks of crude oil and/or petroleum products



(c) FreeFoto.com

Directorate-General
for Energy
and Transport

Thank you for your attention



EUROPEAN
COMMISSION

DG TREN: http://ec.europa.eu/dgs/energy_transport/index_en.html