Netherlands National Petroleum Stockpiling Agency

Impact of market forces on establishing and holding strategic stocks

February 10, 2009

Petrostocks 2009

Presentation summary

- Introduction COVA
- CSO in the Netherlands
- Market Developments in tankstorage in the ARA range
- Oil price volatility
- Main points

COVA function / mission

- Maintain the required quantities of compulsory oil stocks, imposed under the prevailing legislation, at the lowest possible cost
  - European Union
  - Organisation for Economic Cooperation and Development - IEA

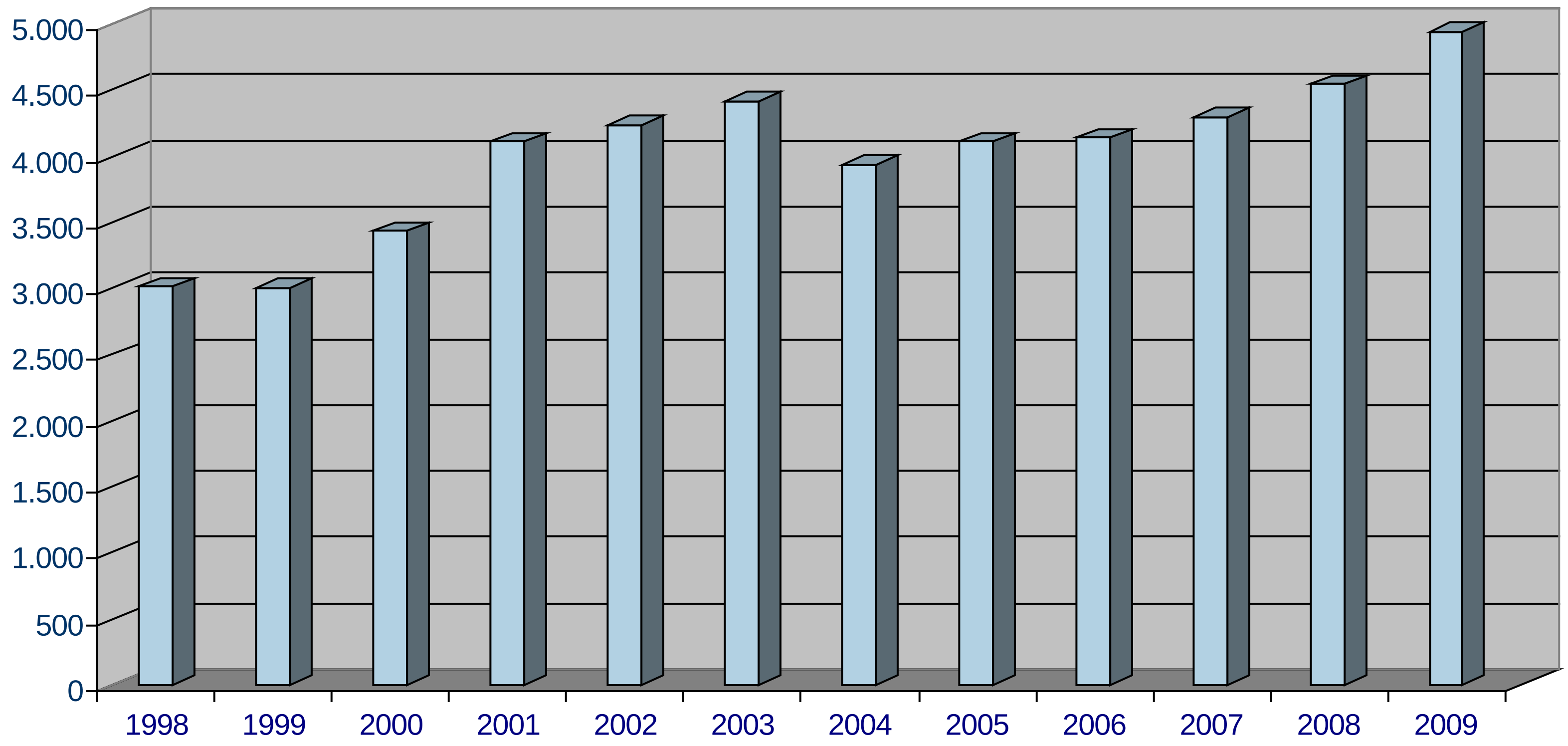
Structure

- Institution for general benefit, ie foundation
  - Non profit organisation
  - Exempted from corporate tax
  - Independent
- Supervisory Board
  - Appointment by and on behalf of the Minister of Economic Affairs
- Executive Board
  - Support staff

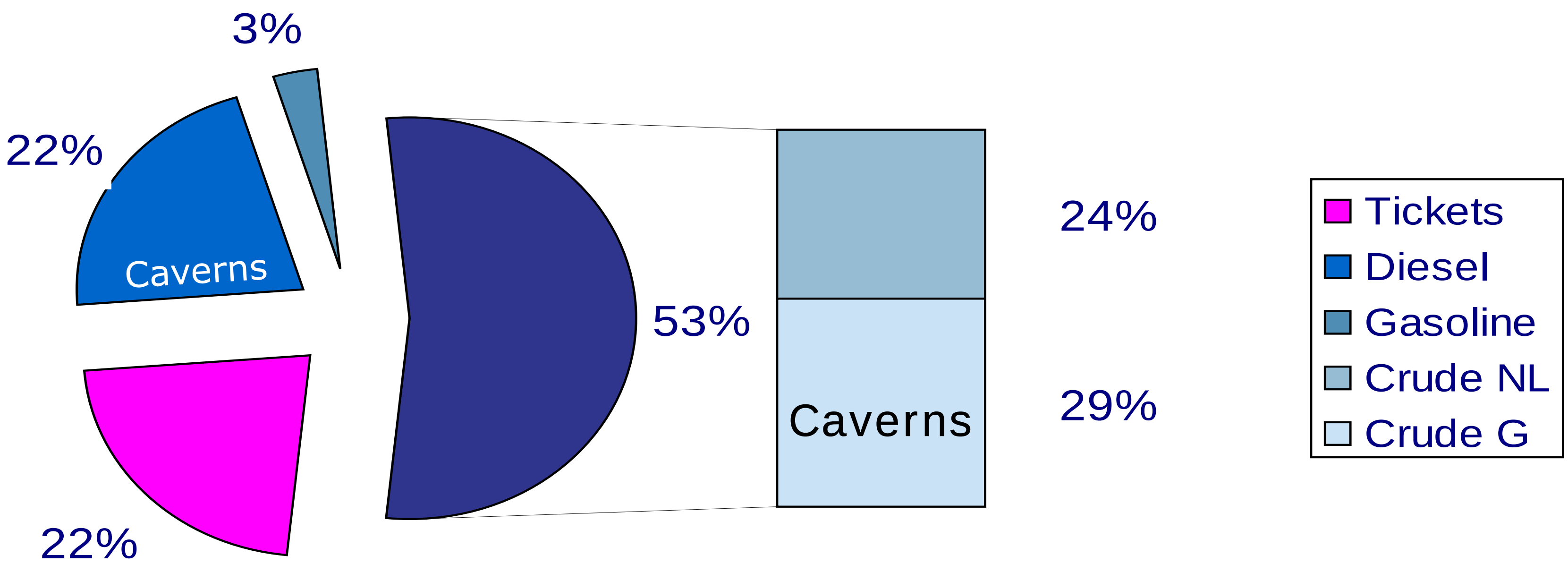
History

- 1973 First oil crisis – IEA formation by OECD
- 1976 Stockpiling Act – safety stocks with commercial operators
- 1978 ICOVA interim agency / levy
- 1980 transfer of stocks to ICOVA permitted
- 1987 Government controlled agency COVA
- 2001 New stockpiling act / ticketing

Development COVA CSO obligations



Composition of COVA stocks



Revenues and expenses

	2007	2008
Revenues *excluding extraordinary	84	82
Storage / QQ	41	49
Ticket fees	18	24
Financing	23	29
Overhead	1	1
Total expenses	83	103
Operating income	1	<21>

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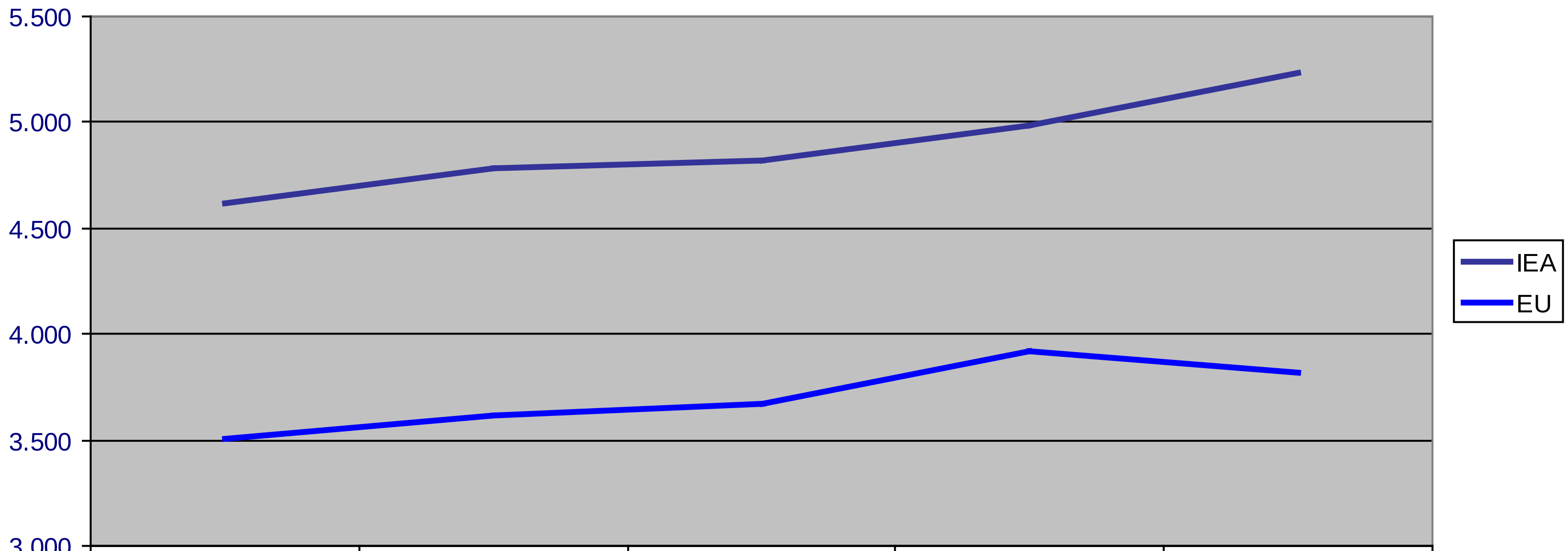
Netherlands stockpiling requirements

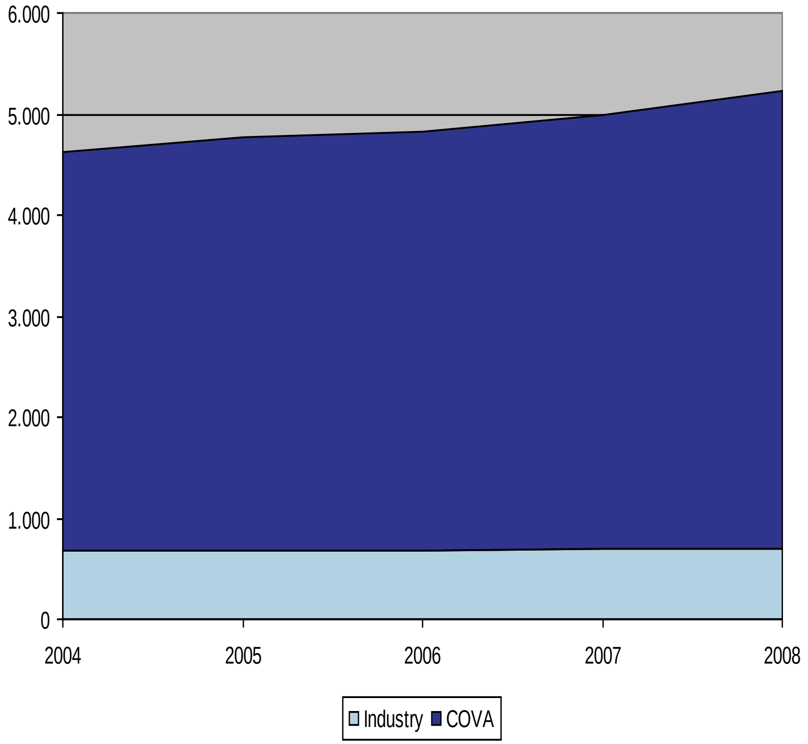


	2004	2005	2006	2007	2008
IEA	4619	4779	4823	4985	5238
EU	3504	3612	3673	3918	3819

Netherlands stock piling requirements

	2004	2005	2006	2007	2008
IEA	**4.619**	**4.779**	**4.823**	**4.985**	**5.238**
EU					
Cat A	931	933	919	966	950
Cat B	2.563	2.666	2.747	2.944	2.847
Cat C	10	13	7	8	22
Total EU	**3.504**	**3.612**	**3.673**	**3.918**	**3.819**

Agency versus Industry obligations

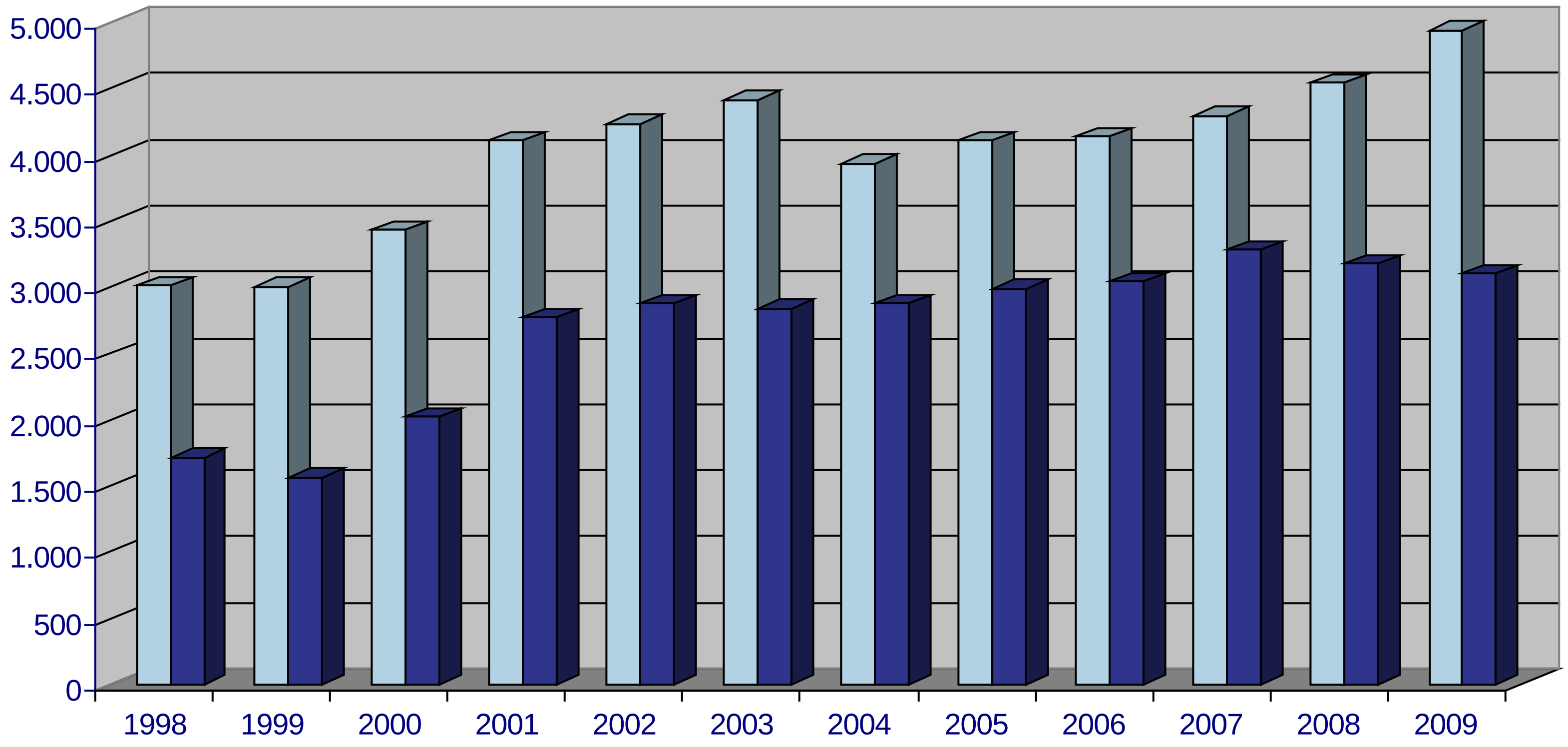


- Industry: 5% of volume turnover (threshold 10 kton) approximately 18 days

- COVA: balance to meet legal requirements

  approximately 82 days

Development COVA stockholding obligations conform IEA and EU



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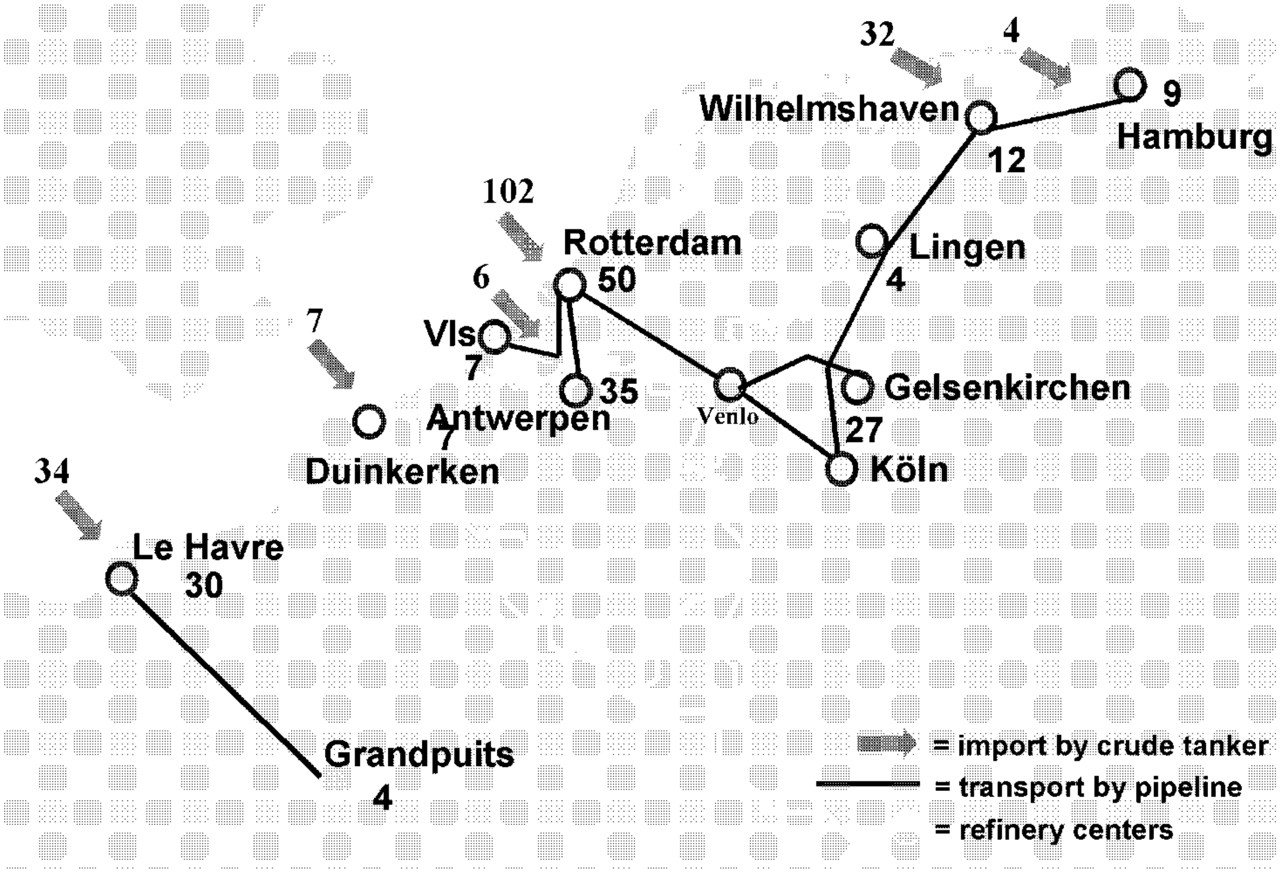
IMPORT OF CRUDE OIL



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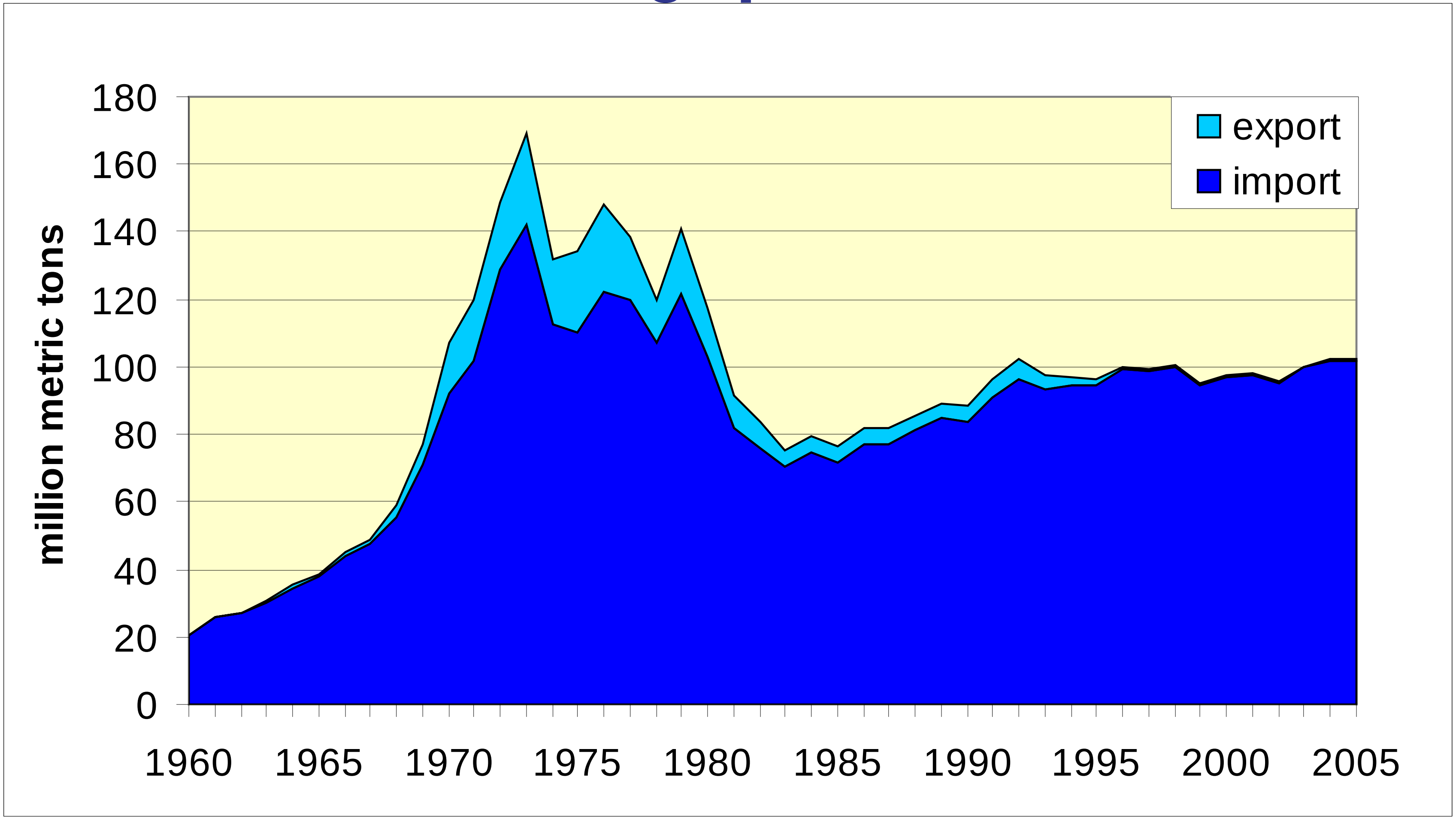
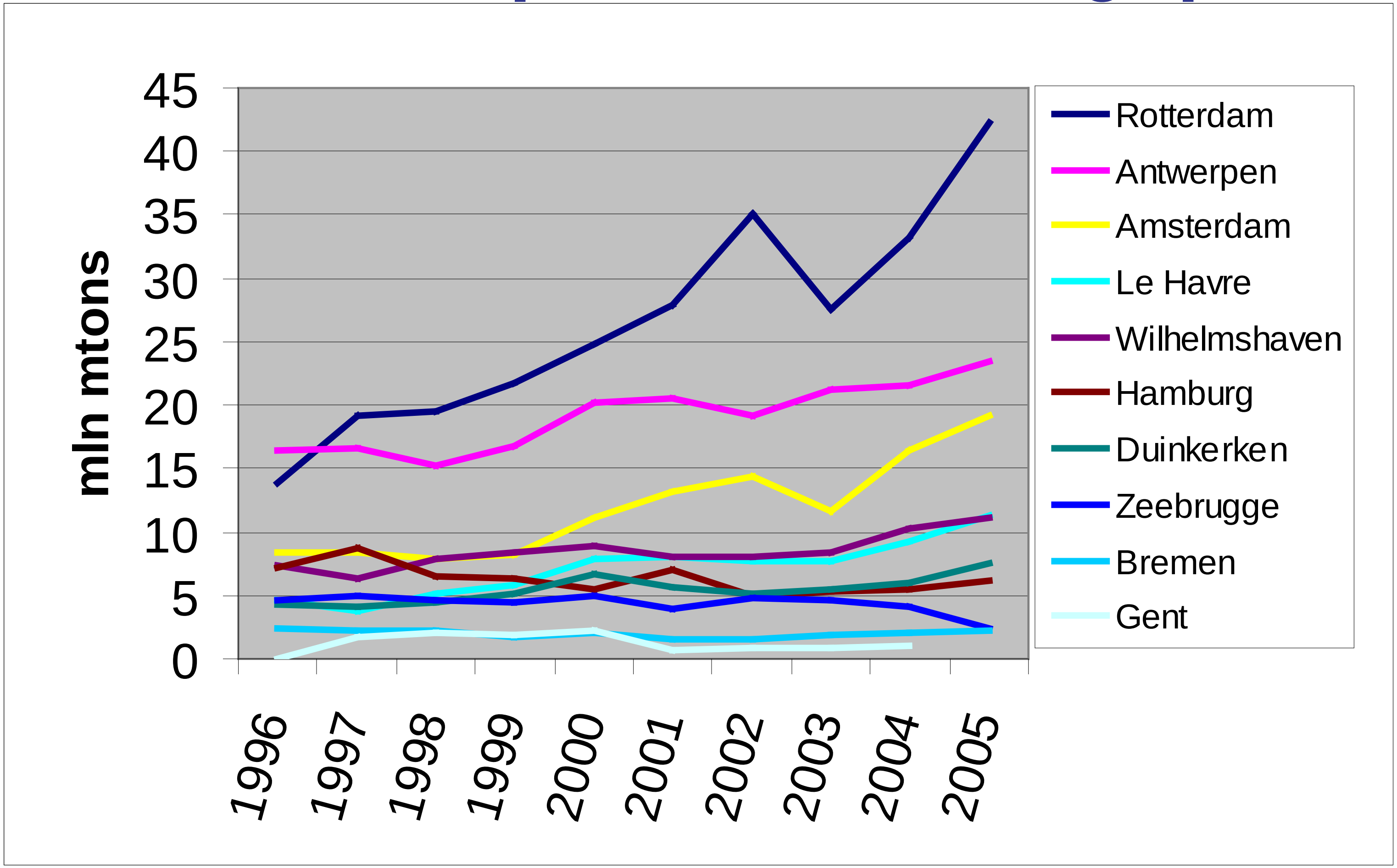
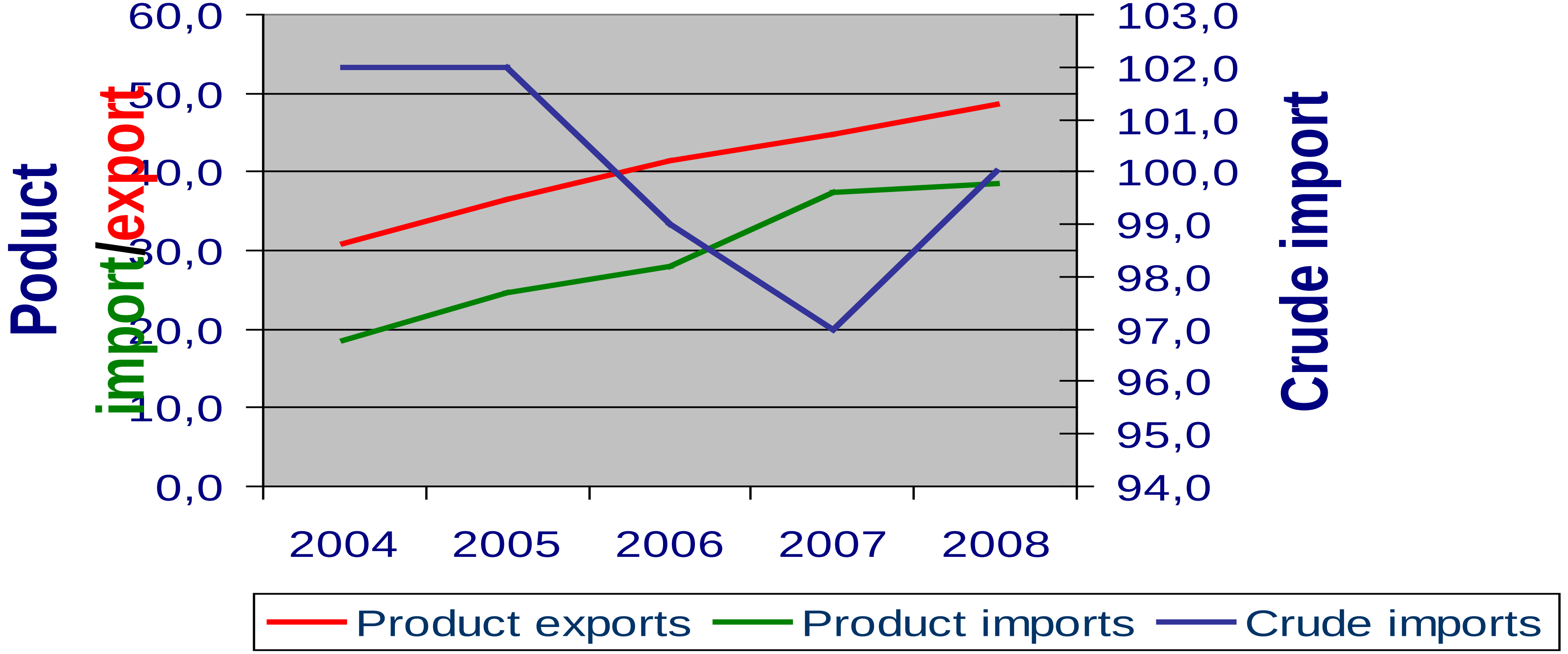
Crude oil throughput Rotterdam



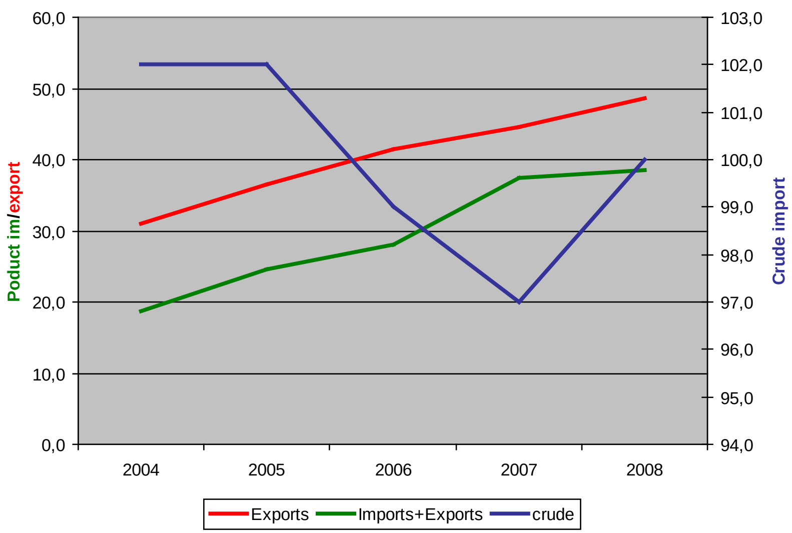
Petroleum products throughput



volumes in main ports (Netherlands)



volumes in main ports / 5 years



- Import products:
  31 to 49 mln mt + 60%
- Export products:
  19 to 38 mln mt + 100%
- Crude import:
  stable around 100 mln mt
- Storage capacity: + 6%
  from 24 to 25.5 mln mt
- Contemplated projects:
  1.3 - 2.1 mln mt + 5 – 8%

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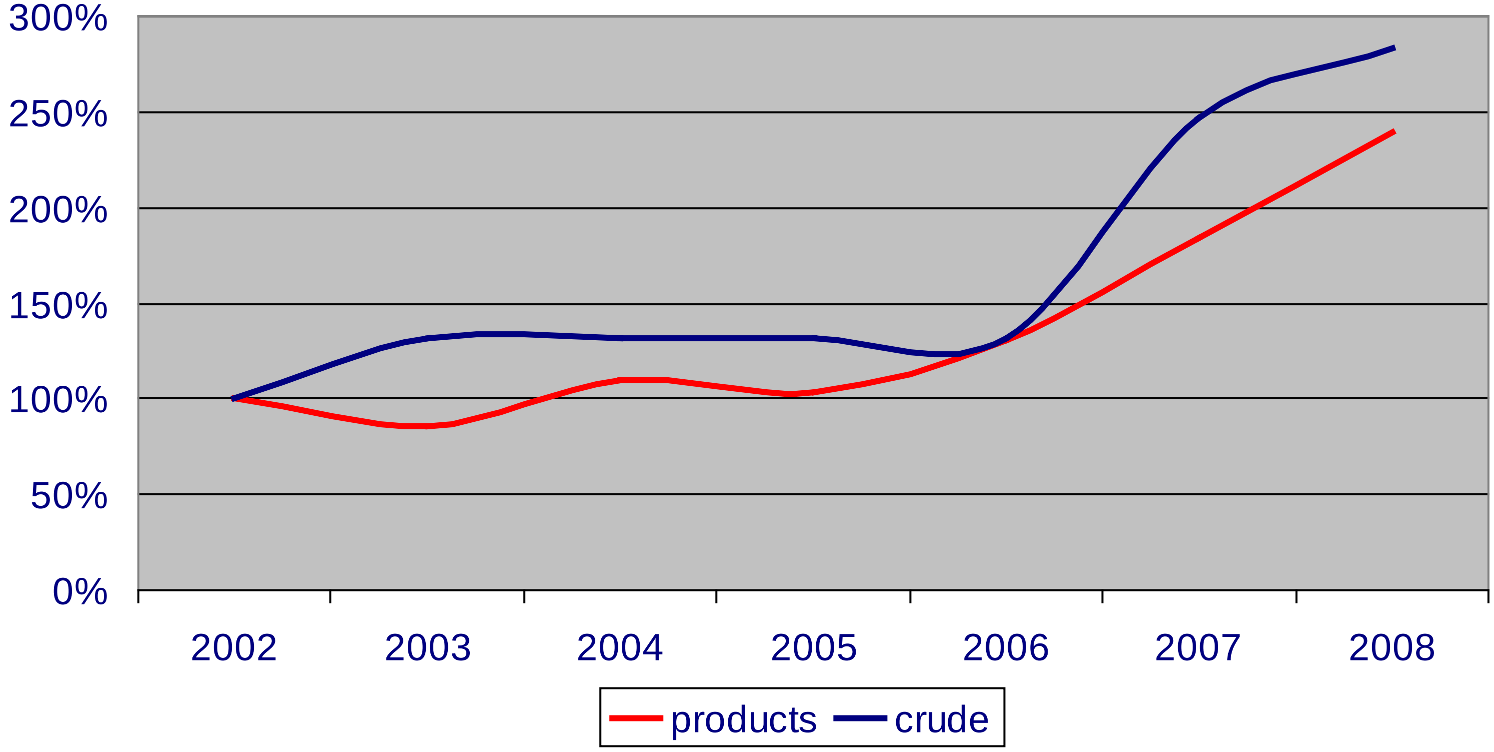
Normalised storage rates



Possible measures

- **<u>Short term:</u>**
  - ❖ Commingling contracts for both crude and products
  - ❖ Increased cavern storage
  - ❖ Storage outside Netherlands
  - ❖ Product composition
  - ❖ Location exchanges

- **<u>Long term</u>**
  - ❖ New build projects

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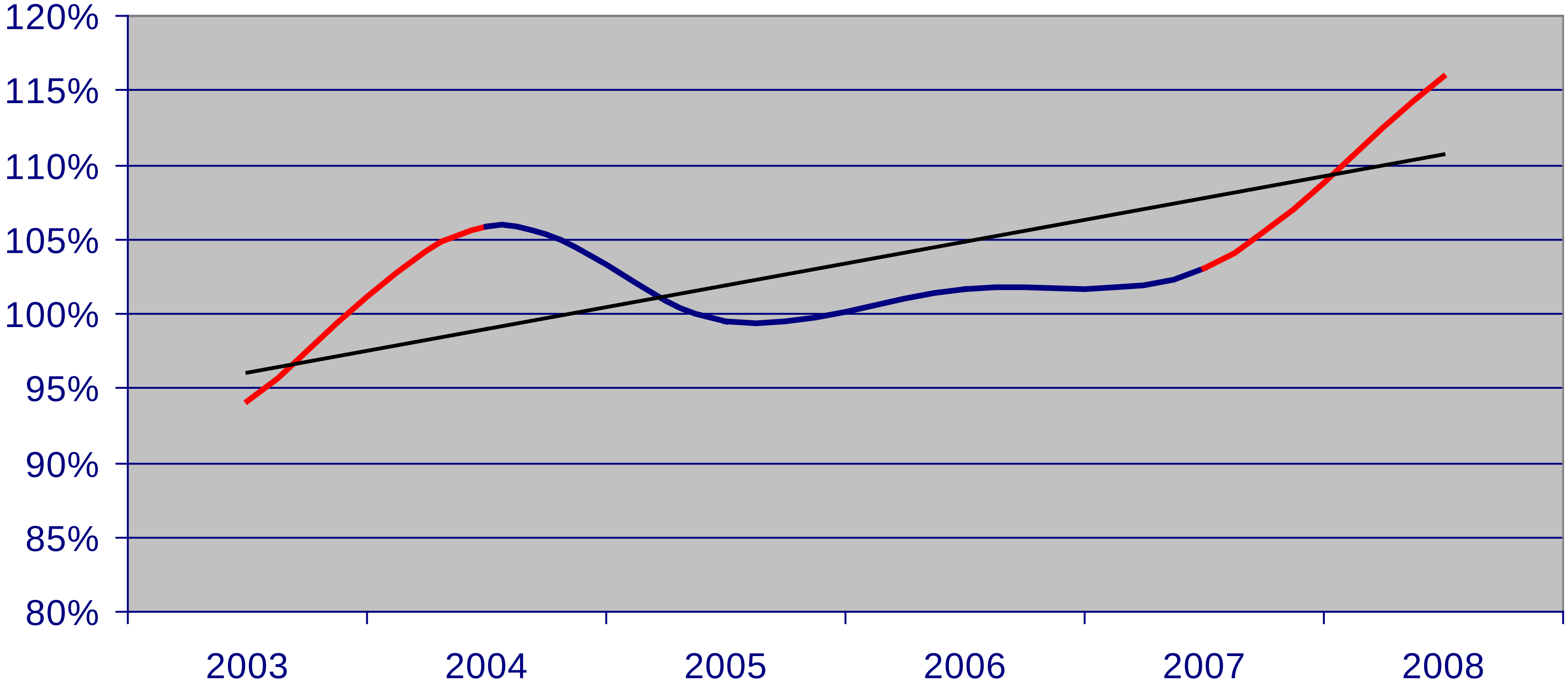
COVA cost per COE equivalent stored



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Oil price volatility

- Agency is ownership oriented, not transaction oriented
- Transactions only in case of:
  - Crisis
  - Increase/decrease of annual CSO obligation
  - Product specifications change
  - Product ageing
  - Demand pattern no longer corresponding to composition of stocks
  - Location changes because mix of tankstorage rentals

Oil price volatility

	Upward price trend	Downward price trend
Crisis		??
Increased CSO		
Decreased CSO		
Specification changes	Timing risk / imperfect hedge	
Ageing		
Composition change		
Location change		

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Main points

- COVA volumes will increase
- Strategic storage in major hubs will decrease
- Storage tariffs to remain high
- More storage outside NL / increased cavern storage
- Longer term for storage contracts
- Rent or buy policies of Agencies to be revisited

Thank you for your attention