

Presentation of Next Steps in Preparing National Legislation and Emergency Response System

1. Background

Security of oil supply as part of energy security is one of the essential principles of the Energy Community and all Contracting Parties agree that emergency oil stocks, stockholding policies and emergency preparedness are important instruments to cope with possible oil supply disruptions.

The Energy Community is a net importer of crude oil and petroleum products. All Contracting Parties are aware that security of oil supply extends beyond national borders because the overall imports of oil into the region takes place through only a few crucial facilities (sea and river ports, terminals, pipelines and railway lines). Consequently, all Contracting Parties are interested in proper utilization, maintenance and availability of this crucial regional energy infrastructure, as any oil supply disruption within the region shall materially affect at least several Contracting Parties. Cooperation among all Contracting Parties in this respect is imperative.

For this reason, the 4th Oil Forum (Nov 2012) urged all Contracting Parties to consider coordinated assistance from experienced oil stockholding experts in preparing their national legislation on Emergency Oil Stocks and Emergency Response System.

2. Steps so far

Subsequent to the 4th Oil Forum, the 27th PHLG (Dec 2012) underlined the importance of the preparation of an updated roadmap by each Contracting Party, which were also prompted to start with the transposition of Directive 2009/119/EC into national law within 2013. The Secretariat, along with the European Commission, were asked to consider how to organize the provision of financing of such assistance by experts in preparing the Contracting Parties' national legislation, and to report back to the PHLG at its next meeting (March 2013).

In this respect, the Secretariat invited all CPs to submit their specific technical assistance requirements which they perceive as key to preparing their national legislation. Four CPs (Albania, FYR of Macedonia, Kosovo* and Montenegro) have provided their feedback, while responses from the remaining CPs have not been received to date.

The EC and the ECS stressed the importance of preparing an updated roadmap by each Contracting Party and provided concrete steps for the timely implementation of the Directive, building on the gap analyses performed and presented in the study of the "Emergency Oil Stocks in the Energy Community Level". The results of this study (commissioned by the Secretariat in September 2010 and finalized in April 2011) remain valid, in particular the need for the CPs to enhance their crude oil and petroleum product stockholding systems in order to be in compliance with Council Directive 2009/119/EC.

*This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and ICJ Advisory opinion on the Kosovo declaration of independence.

In addition, the study outlines how most of the Contracting Parties should be able to achieve compliance with Directive 2009/119/EC over a 10 year period through the adoption of a phased programme of capacity building and investment.

At the 28th PHLG meeting (March 2013), the ECS and the EC encouraged all CPs to review this study and inform the Secretariat if any updates are needed.

Another important topic addressed at the 28th PHLG meeting by both the Secretariat and the EC was related to the coordinated assistance from experienced experts on the following topics and actions:

1. Initial consultation with the representatives of the CPs on the most pragmatic oil stockholding policy in conformity with each CP's own specifications (financial, technical, organisational) and establishing what needs to be achieved by which main milestone (updated Roadmap) over the 10 year period in accordance with the MC decision of October 2012. It is suggested that the period for this initial consultation phase be within 2013 and that the costs would be financed by the Secretariat.
2. Additional technical assistance on:
 - Transposition of the *acquis* into national legislation (primary and secondary on Emergency Oil Stocks and Emergency Response System) during 2013 and 2014 – this activity possibly to be financed by the TAIEX funding as well.
 - Considering a regional approach towards Emergency Oil Stockholding in terms of enhancing the security of supply, building significant new joint storage capacities and cost minimisation. Establishment of emergency oil stocks and establishment of an effective and reliable Emergency Response System as a whole is a big challenge from financial, legal, political, technical and organizational points of view. As such, it should be developed as a regional project based on a coordinated strategy in order to: increase efficiency and reliability of the Emergency Response System; to realise the economies of scale offered by regional investment plans, and; to avoid overlapping actions and double financing. This should not be limited to storage of stocks in neighbouring countries but should extend to cooperation on a broad Emergency Response System based on regional agreements. The suggested period for this activity would be during 2014 and may also be financed by the TAIEX funding.

The Secretariat was also asked at this PHLG meeting to present the scope and procedure to obtain such assistance and to report back to the PHLG at its next meeting in June 2013.

3. Next steps

Based on the previous PHLG Conclusions, the Secretariat circulated a concrete proposal to all PHLG members and oil focal points (on 10 April 2013) addressing the main topics envisaged to be discussed with experts during the initial field visits, as follows:

- Domestic oil market specifics
- Domestic oil infrastructure and supply routes
- Storage capacities availability
- Composition of oil stocks
- Current oil stocks own/controlled by CPs
- Existing legislation on oil market

- Existing legislation on security of oil supply
- Existing legislation on energy (oil) statistics and reporting
- Existing tax legislation (VAT; import/export of oil products; excise duties on oil products; bounded warehouses) Expectations from Directive 2009/119/EC implementation
- Goals to be achieved by Directive 2009/119/EC implementation
- Directive 2009/119/EC main provisions to be implemented
- Competence over Directive 2009/119/EC implementation
- Competence over Council Directive on energy statistics
- Competence over security of oil supply
- Financing of Directive 2009/119/EC implementation
- Activities under way related to Directive 2009/119/EC
- Central Stockholding Entity (CSE)
- Industry involvement in establishment of oil stocks
- Roadmap towards full implementation
- Preparation of Oil Stockholding Strategy

All Contracting Parties were encouraged to raise any additional specific topics they would like to discuss during the experts visits and also invited to inform the Secretariat on their preference regarding timing of expert's visits. In order to achieve maximum benefit from the support of this initiative, all Contracting Parties were encouraged to submit their reply as soon as possible, but at the latest before the end of April 2013. This assistance should be provided only upon their invitation/request.

Some representatives of the Contracting Parties addressed their initial position for further clarifications on practical terms, which were immediately provided by the Secretariat. Taking note of the current oil stockholding policy in Bosnia and Herzegovina, an official letter on this topic was prepared and presented to the Minister of Foreign Trade and Economic Relations of Bosnia and Herzegovina.

It is very important that this coordinated assistance continue through 2014 with the support of TAIEX funding on specific activities, mainly related to the drafting of legislation containing the general provisions of the Oil Stocks Directive, legislation on an Emergency Response System, preparation of an Oil Stockholding Strategy, definition of Action Plan content (roadmap), establishment of the Central Stockholding Entity (CSE) as well as implementation thereof (internal structure, procurement procedures, tender documentation, storage contracts, delegation contracts, financing), drafting by-laws and regulations on monitoring and reporting of oil stocks, drafting bilateral intergovernmental agreements on stockholding, etc.

Considering the completion of all aforementioned tasks as a priority, the Secretariat suggests that a working group be established by all CPs. The working group should consist of a small but multi-functional team including lawyers, engineers, statisticians, and economists and the working group members should remain in place through this period (2013/2014) to ensure continuity and progress in the proposed technical assistance.

The Secretariat considers the implementation of Directive 2009/119/EC will guarantee a high level of security of oil supply in the Energy Community, maintaining minimum stocks of crude oil and/or petroleum products and establishing the necessary procedural means to deal with a serious shortage. However, all Contracting Parties have a long way to go to achieve full compliance with the directive and the plans/assistance now proposed will aid the CPs in their progress.