

# 8<sup>th</sup> Oil Forum

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Belgrade  
28/29 September 2016

## Overview

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1. The 8<sup>th</sup> Oil Forum took place on 28/29 September 2016 in Belgrade. The Forum was opened with the welcoming of participants by the chairman, Mr. Massimo Lombardini, representing the European Commission.
2. H.E. Mr. Aleksandar Antic, Minister of Mining and Energy of the Republic of Serbia welcomed the Forum on behalf of the Government of Serbia thanking the Secretariat for organizing this important event and for the support it provides to the Contracting Parties in fulfilling their commitments. In addition the Minister mentioned several important activities in their focus like formation of emergency oil stocks, monitoring the quality of petroleum product, combating the grey economy with the aim of ensuring security of supply of the domestic market by petroleum products whose quality meets the highest EU standards.

## Introductory Procedures

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3. The Agenda as modified and circulated on 13 September 2016 was approved by the Forum.

## Keynote speech

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4. The Secretariat presented the Energy Community developments, reforming of the treaty, the main changes that are currently in focus and how the Energy reform and integration has been taking place. The Forum took note of the continued lack of implementation of the Third Energy Package and the Secretariat's efforts to assist the relevant Contracting Parties to rectify the related breach of the Energy Community Treaty before the 2016 Energy Community Ministerial Council at the latest.

### 1. Oil Security

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5. Trinomics (lead) and Technopolis, the consultants selected by the Commission (DG ENER) to prepare a report in support of the mid-term evaluation of the Directive on emergency oil stocks, presented the final findings of the report. The evaluation conducted mainly assessed whether the Directive functions efficiently, is effective in meeting the main objectives of the Directive and whether it is still a relevant response to the problems it aims to address. As part of the work, the report looked at a number of issues, such as for example the impact of the Directive on the stockholding systems implemented across the EU and the share of stocks held by different players (governments, CSEs, industry). This evaluation also examined whether the differences between national stockholding systems have any negative consequences, e.g. on security of supply and on the internal market.

6. Trinomics report showed that the implementation of the Directive has largely had positive effects on the EU emergency oil stocks system. Still, the evaluation also identified areas for further improvement to the functioning of the Directive, such as the 10% deduction on stocks, the compliance date on 1st April, the 7% naphtha yield trigger and the role of tickets. Addressing these could further improve the quantity, the transparency, the availability or the costs of the strategic stocks.
7. The Chairman informed that a public consultation was launched by the Commission as a part of the evaluation of the Directive. It will be open until 11/11 and is addressed to the general public and also to experts at broad. Based on Trinomics report, the results of the public consultation and other information available, the Commission will issue a mid-term evaluation of the Directive early 2017.
8. The Secretariat presented an updated overview of the transposition process in the Contracting Parties since the last Oil Forum as well as the next steps necessary to be approved by the Ministerial Council (in October 2016 in Sarajevo) as a Proposal for a General Policy Guideline concerning a Roadmap on Implementation of the Certain Deadlines of the Council Directive 2009/119/EC in the Energy Community.
9. The Forum was informed about the General Policy Guideline proposal which establishes clear intermediate deadlines given that there is a substantial amount of work to be done by the majority of the Contracting Parties, for a period of roughly 6 years, to achieve full implementation of the Directive by the end of 2022. The Contracting Parties are invited to communicate to the Secretariat by 31 March 2017 the text of the main provisions of the draft national law which they intend to adopt/transpose Directive 2009/119/EC and the Action Plan on the Establishment of Oil Stocks. In addition all Contracting Parties are invited bring into force the laws, regulations and administrative provisions necessary to comply with this Directive by 31 December 2017.
10. The Forum was also informed that for the purpose of fulfilling the data reporting requirements under Annex I – IV of the Directive, all Contracting Parties are invited to begin regular monthly participation in the submissions of the JODI Oil Questionnaire before 1 January 2018 and to communicate to the Secretariat by 31 March 2018 the proposed legal basis and Action Plan for collecting all oil data necessary to submit the Monthly Oil Statistics (MOS) Questionnaire.
11. The Forum acknowledged that the progress in transposing the Directive differs substantially across the CP's and most of them have not met expectations. Bosnia and Herzegovina, Moldova, Ukraine are still in the early stages of considering possible options for a stockholding system whereas Albania and Kosovo\* have been unable to decide and approve the most appropriate final stockholding legal framework. The former Yugoslav Republic of Macedonia which had formally adopted main legislation and part of relevant secondary legislation has slowed their efforts to bring to a close the remaining part of the secondary legislation. Montenegro has made great efforts and is currently in the process of approving the Emergency Stockholding Law. Serbia is the only Contracting Party that has transposed the primary and majority of the secondary legislation relevant to Annexes I – IV of the Directive, as well as the collection of an emergency oil stockholding fee. The only remaining secondary legislation not yet transposed is the Intervention Plan in case of oil supply disruption, which will be drafted and approved within 2016. In addition the Forum was informed that Serbia has started to form oil stocks since last Oil Forum.
12. The Forum noted that in efforts to further promote progress in each of the Contracting Parties towards the transposition of Council Directive 2009/119/EC, the Secretariat has prolonged the

coordinated Technical Assistance for 2016 and strongly encouraged those Contracting Parties which have not received this assistance during 2015 to submit their requests for this assistance as soon as possible.

13. The Forum welcomed the presentation by OTX - Oil Ticket Exchange. OTX representatives provided an overview on how Compulsory Stockholding Obligations (CSO) are delegated in the EU and described the key elements of CSO tickets (contracts through which obligation is delegated) OTX then provided some key figures on the EU ticket market, in which the vast majority of the EU member states are actively involved. OTX also shared its view on why CSO tickets could be relevant for Energy Community Contracting Parties that are currently in the process of designing and implementing a stockholding system. Key benefits would include cost-effectiveness and flexibility, especially if cross-border tickets are allowed. At the same time, it was highlighted the importance of implementing adequate monitoring and reporting procedures in order to guarantee availability and accessibility of delegated stocks.

## ***II. Investment in Refining***

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14. After a warm welcome to the headquarters from the NIS representative, the participants of the Oil Forum were informed about the investment in refining capacities in Serbia. The Forum appreciated NIS efforts to achieve good results, despite the drastic drop in oil prices, due to the supplementary operational efficiency program which has been implemented in the Company at all levels. NIS has increased the level of premium products in refining and has also invested in different parts of refining. In recent years, NIS has invested a total of nearly EURO 3 billion. The NIS representative stated that despite pessimistic oil price forecasts, NIS is planning to invest up to EUR 1 billion over the next three years. The amount will primarily go to increasing hydrocarbon reserves and bottom-of-the-barrel. NIS goal is to be and remain a regional integrated energy company; including not only the geological exploration, production, refining, sales and distribution of hydrocarbons and their products, but also electricity generation including renewables. In addition, the intention is to be the major player not only in the market of Serbia, but in the entire region – Bulgaria, Romania, Hungary, Bosnia and Herzegovina. The excellent presentation of the NIS representative was followed by open discussions and questions and answers.

## ***III. Transposition/Implementation of the oil stocks directive***

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15. The Forum welcomed the joint presentation made by the Secretariat and Croatian Compulsory Oil Stocks Agency (HANDA) which outlined the main output of the Oil Stockholding Workshop held in Zagreb in April 2016.
16. The Secretariat presented the key objectives of this workshop and briefly wrapped up the policy of EU Member States Agencies (ELG – Austria; ZRSBR – Slovenia; SASRWTS – Bulgaria and EOSA - Slovakia) on stockholding systems and emergency procedures and looking at their past and current achievements.
17. HANDA on the other hand introduced their experience on the establishment of their emergency oil stocks under the Council Directive 2009/119/EC and the field trip organized to Terminal JANAF Zitnjak, located in an eastern part of the city of Zagreb. The Forum appreciated the detailed information of their daily activities provided at this Workshop which could be considered as a potential model to be taken into consideration for some of the Contracting Parties on the establishment of their own stockholding policy. The Forum thanked

HANDA for its ongoing support to the Energy Community Contracting Parties and urged for a further cooperation in the future.

18. The Forum appreciated CARBURA (Swiss) relevant experience on the establishment of their emergency oil stocks which provided detailed information of Swiss' activities and past achievements regarding its stockholding system and emergency procedures. Members of CARBURA are all importers of more than 3,000 m<sup>3</sup> of petroleum products per year as well as common or substitute stockholders that concluded a compulsory stockpiling contract with the federal administration. The information and experience sharing through the presentation was considered very valuable. Information about Swiss oil supply disruption in October 2015 and their efforts to overcome this situation was also provided.

#### **IV. Oil Supply Infrastructures**

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19. The Secretariat presented an overview of the current oil infrastructure in the Energy Community. The Forum noted that there would be a huge need for oil infrastructural investments in order to fully implement the oil stocks directive. The Secretariat emphasized that limited, insufficient pipeline connections are characteristic for the region, and road trucks are the dominant means of oil transport. Whilst the number of oil terminals is too low, the situation is clearly improving. The Romano Port and Petrolifera terminals in Albania are already operational. The construction of the Petroleum Products Pipeline System in Serbia is envisaged in three phases: construction of the products pipeline connecting Oil Refinery in Pancevo with the existing storage tanks in Smederevo and Novi Sad; construction of new storage tanks in Pancevo and Smederevo and providing conditions for further transport. Preparation of the Performing Design and Design for Building permit for Pancevo-Smederevo sections started in 2015. After that, the building permit should be obtained and the construction of the facility should begin. This pipeline that is planned for commissioning in 2020 will ensure the safest and the most cost-effective transport of petroleum products to consumer centers, reduced losses and reduced leakage possibility.
20. The Forum welcomed the presentation on the oil infrastructure in Central Europe which covered the Crude Oil Infrastructure Alternatives in Central Europe by firstly mentioning the Druzhba pipeline, the southern branch of the longest pipeline in the world. The presentation was mostly focused on the Czech and Slovak Republics' oil sectors, before focusing in Ingolstadt-Kralupy-Litvinov pipeline (known also as IKL) and other crude oil supply alternatives. The TAL crude oil pipeline was also presented, this route links the port of Trieste with Central European countries with the aim of helping to secure their energy needs by ensuring the supply of crude oil to refineries in Austria, Germany and the Czech Republic. The Czech Republic and Slovakia have experienced several oil supply interruptions involving the Druzhba Pipeline. The Forum was informed that the Odessa-Brody-Adamowo pipeline project has the potential to make a significant positive impact on oil security supply in Central Europe.
21. The Forum appreciated the efforts of Ukrtransnafta in promoting efficient integration of Ukraine to the Euro-Asian energy environment ensuring secure operation and complex development of national oil transportation system and aiming to strengthen energy security of Ukraine and other European countries. Detailed information related to the PJSC Ukrtransnafta activity that provides services on oil transportation by pipelines (system) to the Ukrainian refineries and its transit to the countries of Central and Eastern Europe was presented to the participants. The oil-trunk pipeline system of Ukraine consists of 19 pipelines with diameter up to 1.220 mm and overall length on route – 3.506,6 km, and in one line – 4.767,1 km, oil pumping stations and marine oil terminal, tank-farms, power supply systems, corrosion prevention systems,

automatic remote control system, technological communication network, fire prevention installations and erosion prevention facilities. The throughput capacity of the system: inlet - 114 million tons per annum (MTA) and outlet – 56,3 MTA.

22. The Brody - Adamowo project as part of the Euro-Asian Oil transportation Corridor (EAOTC) as one of the strategically important projects to diversify sources and routes of oil supply to Ukraine and its transit to the consumers in the EU was also presented in detail.

## ***Concluding Remarks:***

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23. The Forum agreed as a key priority for all Contracting Parties the Secretariat's proposal to the Ministerial Council regarding the General Policy Guideline concerning a Roadmap on Implementation of the Certain Deadlines of the Council Directive 2009/119/EC in the Energy Community. Upon this approval, the Forum noted that each Contracting Party must update their Roadmap in order to fulfill all proposed intermediate deadlines and finally to achieve full implementation of the Oil Stocks Directive over the coming 6-year period.
24. The next Oil Forum is tentatively scheduled to be held in October / November 2017.