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STOCKPILING  
ASSOCIATION

# Strategic Hydrocarbon Stockpiling in Hungary

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# After The Changes



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After studying most of the existing systems in Europe Hungary decided to adopt the Agency type of stockpiling.

- ◆ Act #49 of 1993 was passed by the Parliament in September 1993
- ◆ The Association of Crude Oil and Oil Products Stockpiling (KKKSz) was established by the end of the year by the 14 major market players.

# Organization



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## Membership

Pursuant to the Act all companies or persons conducting crude oil and/or oil products trading – that is subject to the law – are obliged to become a member of the Association.

Number of member companies in 2010:

- ◆ Registered (since 1993. incl. lube importers) 780 (!)
- ◆ Active 30-35

# Organization



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## General Meeting

The supreme decision making body of the Association.

All active members take part.

Tasks, operation principles and voting rights laid down in the Act.

## Board of Directors

*/ till the end 2005 /*

The Strategic – non-Executive – Management of the Association

- ◆ 2 members delegated by the Minister of Economy
- ◆ 1 member delegated by the Minister of Finance
  - ◆ Right of Veto -
- ◆ 6 members (representing the industry) elected by the General Meeting

# Organization



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## Supervisory Board

/ till the end 2005 /

Safeguards legitimate operation

- ◆ 2 members delegated by the Minister of Economy
- ◆ 1 member delegated by the Minister of Finance
- ◆ 2 members representing the oil industry elected by the General Meeting

## Executive Management

Operative, executive management

- ◆ headed by the Managing Director, elected by the General Meeting

## Working organization

-

13 FTEs



# The Stocks I.

## Ownership

Stocks are property of the Association.

## Size Calculation is based on threefold obligation

- ◆ IEA net-import in the preceding year
- ◆ EU domestic sales in the preceding year
- ◆ HU special demand of Stockpiling law (Heating oil)

## Structure

Three main categories + crude are applied according to valid EU Directives

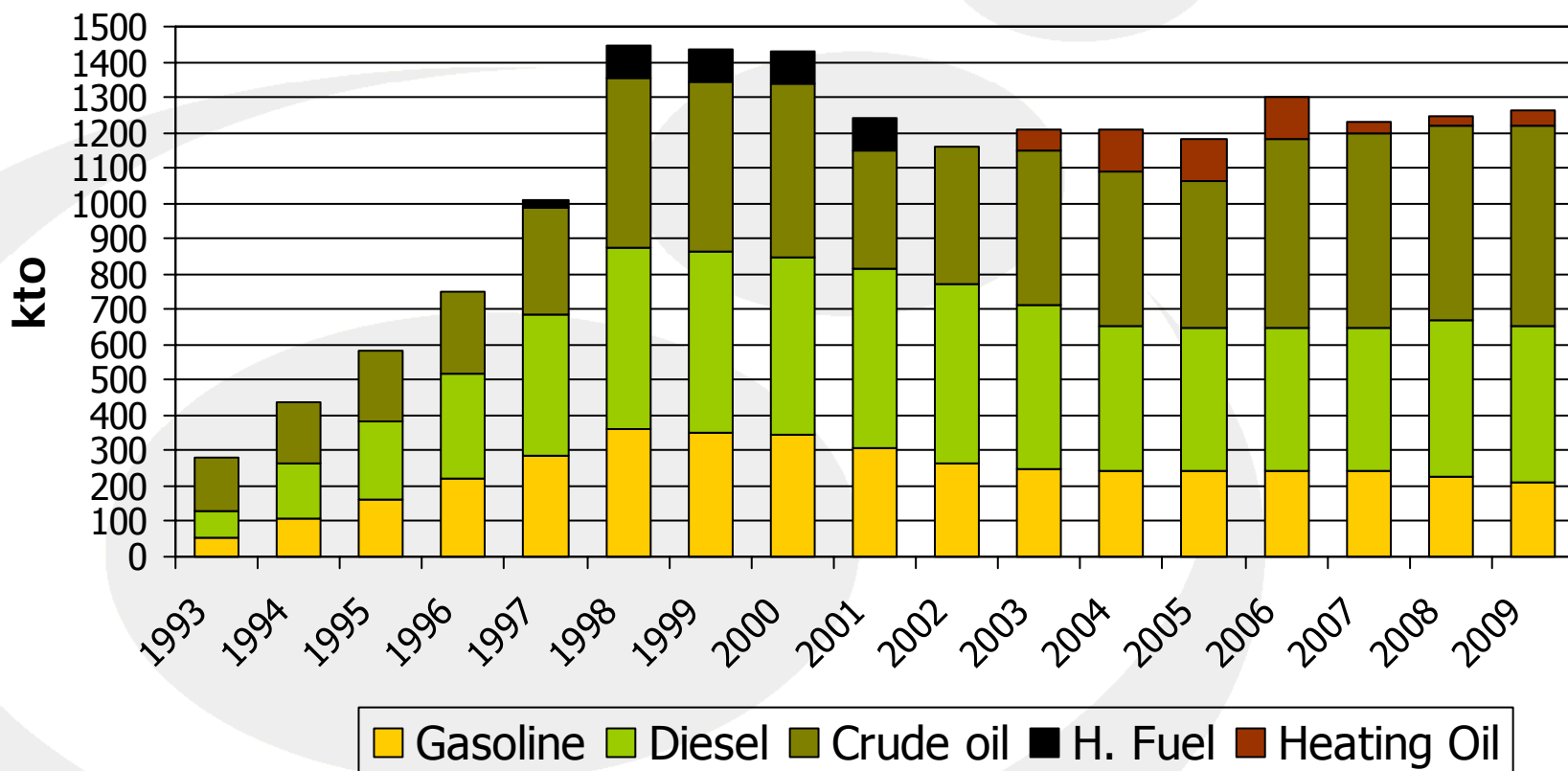
## Actual Stock composition

- ◆ Crude Oil
- ◆ Diesel (ADO)
- ◆ Automotive gasoline (MOGAS)
- ◆ Heating Oil for power-generation

# The Stocks II.



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# Operation



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Established as a non-profit organization with a registered capital of „0” HUF

**Shareholders' Equity** as of today  $\approx$ 160m\$

source:

- ◆ surplus of contribution fee
- ◆ gain on sales of stock
- ◆ Dividend (from owned Storage companies)

## **Stock building (Procurement)**

- ◆ Short and medium term bank-loans
- ◆ No capital repayment, only the interests are paid

# Budget



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## EXPENSES

### Storage cost 80–85%

- ♦ renting fee of capacities
- ♦ periodical replacement of products

### Financing cost 14–18%

- ♦ interest on stock
- ♦ instalment and interest of the loans on acquisition of storage companies

### Cost of Operation 1–2%

## INCOME

### Contribution fee

- ♦ Members are obliged to pay this fee, based on the imported/sold volume
- ♦ Competition neutral
- ♦ Collected by the member companies through retail price (→ end users)

### Dividend

# Storage



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## System

Rented storage capacities

- ◆ Third party storage companies
- ◆ jointly or fully owned storage facilities

## Contract

Long term contracts (10 - 15 years)

- ◆ Price formula for a year
- ◆ Take or pay

## Task

- ◆ Minimizing costs
- ◆ Geographically balanced coverage

## Objective

- ◆ Acquisition of Storage Companies
- ◆ Cost optimization

# Third Party Storage Companies



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## MOL NyRt.

- ◆ Crude
- ◆ Mogas
- ◆ ADO
- ◆ Heating Oil



## MÁDOIL Kft.

- ◆ ADO



# Co-owned Companies



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## TT ZRt.

330,000 m<sup>3</sup>

- ♦ MOGAS
- ♦ ADO



# Fully Owned Company



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## OPAL ZRt.

Százhalombatta, Tiszaújváros

480,000 m<sup>3</sup>

◆ Crude Oil

Celldömök

126,000 m<sup>3</sup>

◆ MOGAS

◆ ADO

Pét

120,000 m<sup>3</sup>

◆ MOGAS

◆ ADO

Vámosgyörk

126,000 m<sup>3</sup>

◆ MOGAS

◆ ADO



# Financing



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## Stocks

Short and medium term bank loans  
(other methods also allowed » issuing of Bond is planned)

Interest payment only

Lenders are selected through Tendering

HUF – Foreign currency ratio (risk management)

## Shares in Companies

Long term loans (8-10Y)

## Guaranty

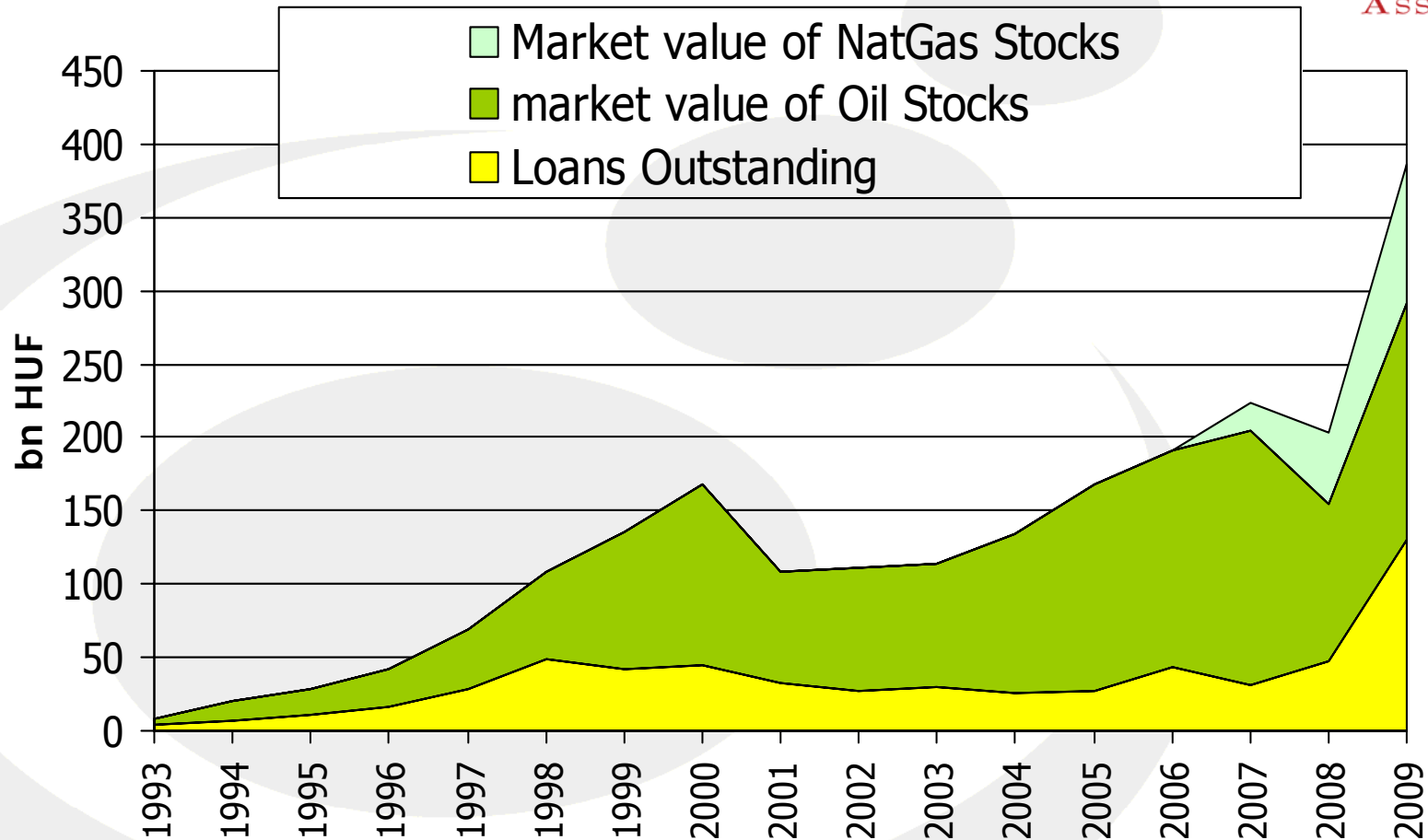
Government guaranty → until 2001

HUSA Corporate guaranty (since 2001)

# Dept vs. Market Value of Stock



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# Cost of Operation



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## Cost of working organization

- ◆ Wages and salaries
- ◆ Office rent
- ◆ Other operational costs

## Maintenance costs

- ◆ Quality control
- ◆ On-site manipulation

# NatGas



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Due to the extremely high share of Natural Gas in the household and communal heating, the Government was considering to extend the stockpiling regulations to NatGas.

Therefore a new NatGas stockpiling law was passed through the Parliament in 2006.

**Act. XXVI/2006. on Compulsory Stockpiling of Natural Gas**

This move is definitely the first such regulation in Europe, however in line with the relevant **EC Recommendation**.

# NatGas I.



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## Organisational changes:

New name: **Hungarian Hydrocarbon Stockpiling Association /HUSA/**

HUSA General meeting has two „Chambers”

- ◆ Oil section
- ◆ Gas section

New members in the Boards elected from Gas chamber

**four** at Board of Directors

**one** at Supervisory Board

in 2007 HUSA established an Underground Storage Company

# NatGas II.



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## Technical implementation

- ◆ Underground storage facility was developed by the Storage company in S. East Hungary
- ◆ From 2010 the facility is holding 1200 M m<sup>3</sup> of NatGas with an output capacity of abt. 20 M m<sup>3</sup> /day, for strategically reason under a contract with HUSA

## Stocks of NatGas

- |         |                        |
|---------|------------------------|
| ◆ Y2007 | 200 M m <sup>3</sup>   |
| ◆ Y2008 | 485 M m <sup>3</sup>   |
| ◆ Y2009 | 1,400 M m <sup>3</sup> |
- 200 M m<sup>3</sup> it is a surplus over the legal obligation
  - The surplus is stored in a commercial storage facility



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[www.husa.hu](http://www.husa.hu)

Thank you for your attention!