

## **CURRENT STOCKHOLDING PRACTICES IN CONTRACTING PARTIES AND STOCKPILING AGENCIES FROM CENTRAL EUROPE**

**(Main topics: Current legal framework; Institutional framework; Technical aspects; Costs and Funding; Composition of Oil Stocks; Basic Elements of Emergency Response System)**

### **Current legal framework**

*(Harmonization of domestic legislation)*

As a result of the experiences in the member countries of the EU regarding the management with oil products reserves, as well as the need for transposing the EU Directives into the national legislation, there was a need for change of the previous concept of establishing and management of the stock reserves in the Republic of Macedonia. Until 2008, the stock reserves were established and financed with funds from the State Budget.

With the adoption of the new Law on Compulsory Reserves of Oil and Oil Derivatives, in July 2008 were introduced essential changes in the concept of establishing and management of reserves of oil and oil derivatives. Under the new concept establishment, management and financing of the compulsory reserves of oil and oil derivatives shall be done with funds from the fee contained in the price of oil derivatives that is paid by the importers and producers of oil derivatives.

With the above mentioned Law, the Macedonian legislation was harmonized with the Council Directive 2006/67/EC, which obliges the EU members' states to maintain minimum stocks of crude oil and/or oil derivatives as a measure for mitigation or leveling damage consequences in cases of bigger distortions of the market with these products.

### ***Local Legislation Framework***

- Law on the Compulsory Reserves of Oil and Oil Derivatives (July 2008),
- Decree on the method for determining, calculating, and payment of the fee for the compulsory reserves (November 2009)
- Medium-term program for establishment of the compulsory reserves of oil and oil derivatives, for the period 2010-2015 adopted by the Macedonian Government (February 2010),
- Annual program for establishment of the compulsory reserves of oil and oil derivatives for 2010, adopted by the Directorate for Compulsory Reserves of Oil and Oil Derivatives (March 2010)

### **Institutional framework**

*(Relevant administrative institutions, their organization and ability)*

Pursuant to the new Law, Directorate for Compulsory Reserves of Oil and Oil Derivatives was established, as a separate independent entity, which is responsible for establishment, stocking, renewal and management with compulsory reserves of oil and oil derivatives.

The Directorate is responsible for taking appropriate measures in order to ensure supplies of oil and /or oil products in Macedonia to reach the coverage for a period of 90 days of achieved average daily internal consumption in the previous calendar year separately for each of the categories of oil derivatives in accordance with the Energy Balance of the Republic of Macedonia for 2010 (referent year consumption in 2009).

## **Technical aspects**

*(Storage facilities of physical stocks – status, necessity of additional stock holding capacity, import-export facility, crude oil and petroleum production consumption)*

In order to implement the legal commitments, on basis of the Division Balance, the Directorate took over the reserves of oil and oil derivatives from the Agency for Commodity Reserves as previously competent authority, as at 01.01.2010.

Having in mind that the Directorate does not possess its own storehouses for oil derivatives, it performs this activity by renting excise warehouses owned by the licensed trade companies for storage and keeping the compulsory reserves.

Currently, the above mentioned warehouses in Macedonia are with a limited storage capacity, to stock the total quantities of compulsory reserves that should be established in accordance to requirements of the law for 90 days consumption.

In order to overcome this issue the Directorate pursuant to Law has a possibility to build its own capacities or to store the reserves in rented capacities outside its national borders, on the territory of EU member states by concluding bilateral agreements between Republic of Macedonia and EU member state.

## **Costs and Funding**

*(operation costs, storage insurance and inspection, tickets fee, governmental contribution, levy options)*

The main source of funding of the Directorate is the levy option/fee that is paid on import and /or production of oil derivatives.

The Macedonian Government adopted Decree on the method for determining, calculating, and payment of the amount of compensation for the compulsory reserves of oil and oil products that are payable on imports and / or production of oil products in November 2009.

The law also prescribes the following sources of financing:

- funds realized on the basis of international cooperation of programs and projects;
- donations from domestic and foreign legal entities and natural persons;
- foundations and gifts and
- other sources.

The Directorate covers its insurance on annual level on the basis of a contract with an insurance company selected on a public tender with an open procedure.

Directorate is authorized to perform inspection of the compulsory reserves which are stored in the warehouses of the licensed trade companies. Inspection shall be performed on the basis of Directorate's internal procedure in a form of mandatory controls and controls upon a need (ad hoc control).

## **Composition of Oil Stocks**

*(Collection of oil data, reporting)*

According to the Medium-term program for the period 2010 -2015, the establishment, preservation, restoration and use of the compulsory reserves of oil and oil derivatives, refers to:

- All types of motor and air gasoline;

- All types of diesel fuel and kerosene;
- Extra Light Oil for household – EL 1;
- LPG (Liquid Petroleum Gas) and
- Mazut

The Medium-term program stipulates that until the year 2015, Macedonia will have 70% reserves of oil derivatives and 30% reserves in form of “tickets”.

### **Basic Elements of Emergency Response System**

*(stock draw, demand restrain, spare production capacity, fuel switching capacity)*

The stocks/reserves of oil and oil products are of importance for the provision of energy deliveries in case of difficulties with supplies with these products.

In the case of distortion of the energy safety, Government of the Republic of Macedonia shall reach decision on the type, quantity and price of oil derivatives to be sold.

### **Forthcoming Activities - New Directive**

Currently, the Directorate examines the Directive of the Council of the European Union 2009/119/ES, which obliges member countries to implement it into national legislation as of December 31, 2012, Activities are ongoing in the direction of establishing working group, engagement of experts etc. in order to draw up the draft text amendment to the Law on the compulsory reserves of oil and oil derivatives for its compliance with Directive 2009/119/ES.

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