

## **WORKING PAPER**

### **DEVELOPING AN OIL DIMENSION**

### **WITHIN THE ENERGY COMMUNITY**

The Treaty establishing the Energy Community in relation to "Network Energy" covers the electricity and gas sectors. However, from the outset the Parties envisaged its extension at a later stage to "other energy products and carriers"<sup>1</sup>, including oil products and infrastructures.

At its Article 100 (iii) the Treaty even foresees a simplified procedure allowing the Ministerial Council to decide by unanimity to extend it "to other energy products and carriers or to other essential network infrastructures".

At several occasions, Contracting Parties and Participants expressed political support to the development of an oil dimension within the Energy Community. In particular, Croatia, Serbia, Slovenia, Italy and Romania signed in Zagreb on 3 April 2007 a "Ministerial declaration on the development of the hydrocarbons dimension of the Energy Community" in which they call for the establishment of an Oil Forum.

This working paper thus aims at supporting an initial discussion on the possible form and content of an oil dimension.

#### **I – OIL INFRASTRUCTURE PROJECTS OF REGIONAL INTEREST**

Contracting Parties are supplied with oil via the Adriatic Sea and the Danube River. These supply routes represent in several cases a high economic cost and a potential environmental risk. Besides, very important amounts of crude oil for the European market cross the congested Bosphorus strait and are shipped through the Ionian and Adriatic Seas.

In this context, several oil pipeline projects crossing South East Europe are being studied. These projects aim at circumventing the maritime straits, at reducing the traffic of oil tankers in the Mediterranean Sea, and at improving the security of oil supply. Thus, all Parties to the Treaty could also greatly benefit from these projects when the supply of local refineries is foreseen. Further, these oil pipeline projects should be discussed in the context of the possible parallel gas pipeline routes, as their parallel development certainly shall contribute to effectiveness and substantial cost advantages for both energy sources.

Therefore, the inclusion of an oil dimension in the Energy Community context and establishment of an Oil Forum would allow discussing and promoting regional oil infrastructure projects and the development of the oil markets in the region.

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<sup>1</sup> 8th Recital

## II – EU LEGISLATION IN RELATION WITH OIL

Introducing an oil dimension to the Energy Community Treaty could have several major positive effects:

- First, several existing provisions of the Treaty and EU pieces of legislation referred to in the Treaty would become applicable to the oil sector;
- Second, new pieces of EU legislation concerning specifically oil could be introduced in the Treaty;

As regards the existing provisions, it is noted that parts of the *acquis* referred in Title II, in particular on environment and competition and the generally applicable standards of the EC, could become applicable to the oil sector.

It should also be examined to what extent the provisions of Title IV of the Treaty could be applicable to the oil dimension, for instance the provisions concerning mutual assistance in the event of disruption.

As regards new pieces of legislation, the main element would be Directive 2006/67/EC imposing an obligation on Member States to maintain minimum stocks of crude oil and/or petroleum products.

The implementation of this Directive would considerably improve the security of supply level in the region and would represent a significant preparatory step in the accession or pre-accession context.

## III – POSSIBLE STEPS TO DEVELOP THE OIL DIMENSION

Against this background, the Permanent High Level Group is invited to consider the following approach with the view to formulate a concept paper to the next Ministerial Council in June 2008.

December 2008 Ministerial Council	<ul style="list-style-type: none"><li>– Decision to extend the Treaty to crude oil pipelines and to create an annual Oil Forum;</li><li>– Decision to launch a study on the implementation in the Contracting Parties of Directive 2006/67/EC.</li></ul>
First semester 2009	<ul style="list-style-type: none"><li>– First Oil Forum</li></ul>
December 2009 Ministerial Council	<ul style="list-style-type: none"><li>– Decision to extend the Treaty to oil products and to implement Directive 2006/67/EC in a timeframe to be defined.</li></ul>