

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

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Belgrade, 10/11 October 2023

## **Overview**

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1. The 15<sup>th</sup> Oil Forum took place in Belgrade on the 10<sup>th</sup> and 11<sup>th</sup> of October, 2023. Mr. Andras Hujber, representing the European Commission, chaired and opened the Forum of the Energy Community.
2. Ms Dubravka Đedović, Minister of Mining and Energy of the Republic of Serbia welcomed the Forum on behalf of the Government of Serbia, emphasising that cost-efficient energy independence for citizens and the economy is their strategic goal. A stable supply of the domestic market and higher security of supply is a priority for the Government in the oil sector. The Minister emphasised that preserving predictable petroleum product prices is vital to reducing inflationary pressures on citizens and the economy while maintaining economic competitiveness.

## **Introductory Procedures**

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3. The Agenda, as modified and circulated on 18 September 2023, was approved by the Forum.

## **Keynote speech**

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4. The Secretariat emphasised the essential role the oil industry can play in addressing climate change, reducing greenhouse gas emissions, and transitioning to a more sustainable energy future. The acceleration of the energy transition in the Energy Community will require implementing policies and regulations, which include incentives for renewable energy deployment, emissions reduction targets, boosting energy efficiency and implementing carbon pricing mechanisms. On the other hand, oil companies should diversify their portfolios by investing in renewable energy from sustainable sources and low-carbon technologies. This can be seen as a recognition of the changing energy landscape and a way to adapt to evolving market demands. Adopted 2030 energy and climate targets in December 2022 were essential to put the Contracting Parties on a path towards achieving climate neutrality of their economies by 2050 and decreasing dependence on fossil fuels in the shorter term.

## ***I. Energy Security in the EU/Energy Community***

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5. In his remarks, the chair recounted the critical messages of the European Green Deal as a comprehensive policy initiative aimed at transforming the EU into a more sustainable, low-carbon, and environmentally friendly economy. The chair emphasised that the European Green Deal focuses on transitioning to renewable and clean energy sources such as wind, solar, hydro, and geothermal to reduce reliance on fossil fuels significantly. The European Green Deal advocates for phasing out subsidies and financial support for fossil fuels to incentivise the use of renewable energy and discourage the consumption of environmentally harmful energy sources. The Forum was informed that by focusing on these strategies and initiatives, the EU aims to achieve its climate neutrality objectives by 2050 and significantly decrease its reliance on fossil fuels, thereby contributing to a more sustainable and environmentally friendly future.
6. The Forum took note of the presentation delivered by the representative of the IEA on a comprehensive analysis of current and future trends in the global oil market, spanning from 2022 to 2028. Key points included trends in global oil demand highlighting the impacts of the energy transition, such as rising energy prices and supply security issues. The presentation also highlighted Asia's pivotal role, with China and India leading the way in demand. The production went into the development of supply, mainly showing the strength in the United States. Furthermore, Middle Eastern producers are expanding their capacity to meet increasing demand and identified a notable growth in refinery capacity. In conclusion, the presentation underscored the ongoing global energy transition, where oil retains importance in specific applications while the world diversifies its energy sources for a sustainable future.
7. The Forum took note of the detailed presentation of the European Commission Study on Oil Security of Supply and Green Transition. The Forum was informed about the purpose of this study to review the Oil Stock Directive, which is to consider the potential impact on emergency oil stocks of the future transition from a mainly fossil-based energy system to a carbon-free/renewable energy supply, including storage and hydrogen.

## ***II. Oil Stocks Directive Transposition and Implementation***

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8. The Secretariat informed the Forum on the progress in transposing the Directive 2009/119/EC across the Contracting Parties, with most still needing to meet the expectations. Bosnia and Herzegovina is still in the early stages of considering possible options for a stockholding system; Georgia, Kosovo\*, and Moldova have prepared their respective primary legislation and have yet to be able to decide and approve the most appropriate final stockholding legal. In the first reading, the Parliament voted in August 2023 on the draft law on emergency oil stocks in Ukraine. Albania and Montenegro are close to approving the remaining part of the primary and secondary legislation; only Serbia and North Macedonia are building emergency stocks, and their respective oil stocks correspond to 53 and 47 days of average daily net imports. The extension of the deadline set by the Ministerial Council in 2012 would breach the acquis. Due to the lack of adoption of primary legislation and minimal expectations of improvement, the EnCS will have to issue individual infringement cases.

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

9. The Representative of the Emergency Oil Stocks Agency of the Slovak Republic (EOSA) informed the Forum about the legal stockholding obligations, circumstances triggering the operation of the emergency response system, authority determining whether an emergency exists, mechanisms to address crisis and monitoring/enforcement of emergency regime in the Slovak Republic. The EOSA shall hold a volume of emergency stocks amounting to the higher of the 90-day average daily net imports of oil and oil products or the 61-day average daily inland consumption during the previous calendar year. Oil shall represent at least 50 per cent of the emergency stocks. The State Material Reserves Agency (ASMR) supervises the EOSA. Apart from the EOSA, Slovak emergency stocks may also be owned by entrepreneurs pursuant to special storage agreements. The Forum was informed that all the emergency oil stocks of Slovakia are currently kept exclusively within the territory of Slovakia. The option to keep the stocks abroad exists only as a backup option in case Slovakia has insufficient storage capacity.
10. The presentation of DG ESTAT provided a short update on the latest reporting and calculation modalities for emergency stockholding obligations in compliance with the Implementing Directive (EU) 2018/1581. The Forum was informed that MOS data collection is fundamental for meeting obligations under the Directive. Each Contracting Party will need to fully understand the reporting details and methodologies related to the stockholding calculations using the MOS data.

### ***III. Implementation of Fuel Quality in the Energy Community as part of the European Green Deal***

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11. The representative of the Commission (DG Clima) informed the Forum about the primary purpose of the Fuel Quality Directive ("FQD") of being two-fold since its very beginning: to ensure a high level of environmental and health protection by reducing air pollutants and establishing a single market for transport fuels. A solid monitoring and reporting system has been established to implement the fuel quality provisions well. The representative emphasised that the FQD is a solid piece of legislation and, as demonstrated by an in-depth evaluation back in 2017, it is generally fit for purpose and should remain in place. Apart from the ongoing amendment that aims to streamline the decarbonisation part of the FQD with the Renewable Energy Directive, no further amendment of the FQD is currently planned. It is optimistic that the Contracting Parties are preparing the legal and institutional preconditions for the EU legislation to be transposed into the national legislation. The Commission looks forward to continued cooperation to help advance the accession process of the Energy Community Contracting Parties.
12. The Secretariat's representative informed the Forum about the 2018 Ministerial Council Recommendation "On preparing for the implementation of Directive 98/70/EC relating to the quality of petrol and diesel fuels" and identified core elements and respective provisions of the Fuel Quality Directive (98/70/EC) suitable for incorporation into the Energy Community acquis. The Forum welcomed the efforts of the Contracting Parties related to monitoring compliance and reporting and encouraged them to transpose the Directive's relevant provisions as the legal basis for preparing the Fuel Quality Monitoring Report. The Forum supported the Secretariat's proposal for further technical assistance with DG CLIMA and the European Environment Agency in compiling, quality-checking and disseminating information reported under the FQD.

13. The representative of the Ministry of Mining and Energy of Serbia briefed the Forum on the Serbian experience in the adoption of the Fuel Quality legislation and monitoring/reporting system. The Fuel Quality Monitoring Report for 2022, the Regulation on monitoring the quality of petroleum products and biofuels, and the Rulebook on the content and method of implementation of the Annual Monitoring Program for the fuel quality of the petroleum products and biofuels for the year 2022 were presented in detail. In addition, the Forum was informed about the established monitoring system following the EN 14274 standard.

#### ***IV. The transition to cleaner energy sources***

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14. The World Bank (WB) representative informed the Forum about the study on Policy Instruments for Managing Road Vehicle Emissions in the Western Balkans (WB6). According to the study, the total GHG emissions from road transport in the WB6 are increasing faster than other sectors and are likely to peak unless policy action is taken. As part of policy recommendations, the representative of the WB suggested a control policy for imported second-hand vehicles that cause a significant amount of CO<sub>2</sub> emissions and pollutants, charging infrastructure to boost the uptake of electric vehicles; updating vehicle and fuel taxes in line with the “polluter pays” principle where and if there is room for fiscal reforms; reforming roadworthiness procedures to ensure compliance with Euro standards and considering the introduction of emission control policies for new vehicles. The concluding remark from the representative of the WB was that a coordinated and evidence-based approach to policy reforms would grant considerable benefits in terms of air quality, GHG emissions, fiscal revenues and economic development.
15. The forum was informed about the vital role of biofuels in decreasing GHG emissions and decarbonising transport by providing a low-carbon solution for existing technologies, such as light-duty vehicles in the near term and heavy-duty trucks, ships and aircraft with few alternative and cost-effective solutions in the long term. Further, biofuels support energy security, and it requires policy to support biofuel demand. Global transport biofuel capacity expanded by 7% in 2022, its most significant annual increase over a decade. However, a further significant increase in biofuel production is needed to get on track with Net Zero Emissions by 2050.
16. The Secretariat’s representative informed the Forum of voluntary initiatives the oil industry took to decrease methane emissions. When spread globally and inclusively, the industry actions could significantly mitigate global warming in the next decade.

#### ***Concluding Remarks:***

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17. The Forum agreed that the key priority for all Contracting Parties should be the transposition and implementation of national legislation in compliance with the Oil Stocks Directive 2009/119/EC. While some Contracting Parties have made progress, more is needed from the rest to quickly transpose and, consequently, fully implement the Oil Stocks Directive with top priority. The Forum was informed that the Secretariat will start individual infringement cases for the Contracting Parties that have yet to transpose the Oil Stocks Directive.
18. The next Oil Forum is tentatively scheduled for September/October 2024.